Annual Report
31st March 2013

The Kandy Hotels Co. (1938) PLC

A Member of Galle Face Group

Contents

Chairman's Review

The Kandy Hotels Company (1938) PLC
Hotel Suisse
No. 30, Sangaraja Mawatha,
Kandy

Annual Report
For the year ended 31st March 2013

I am pleased to present the Annual Report and Statements of Accounts of The Kandy Hotels Company (1938) Plc for the financial year ended 31st March 2013.

WORLD TOURISM

According to the United NationsWorld Tourism Organization (UNWTO), international tourist arrivals grew by 4% in 2012 to 1.035 billion and generated US$ 1.3 trillion in earnings.

UNWTO forecast a growth in international tourism arrivals between 3% - 4% in 2013 despite sluggish global economic growth. This upward trend is expected to continue and during the first 4 months of this year, arrivals recorded an increase of 12 million - a total of 298 million.

LEISURE INDUSTRY IN SRI LANKA

The Sri Lanka Tourism Industry also maintained a growth momentum with arrivals increasing by 17.50%. During 2012 tourist arrivals amounted to 1,005,605 compared to 855,975 for the previous year, thus exceeding the targeted objective of 1 million tourists. As a result of this, the Hotel & Tourism sector contribution has risen from Rs. 2.1 Bn. to Rs3.5 Bn. recording a strong increase of over 20% in 2012.

Government's development of infrastructure, road network (including southern express way), construction of new hotels around the country, city development programme and the new Airport in Mattala will immensely contribute to the further development of tourism in the future.

PERFORMANCE REVIEW

I am pleased to inform you that the Company has performed remarkably well this year surpassing all previous records. The turnover of Rs.548 million for the year ended 31st March 2013, was Rs.152 million or an increase of 38.35% over the performance of the previous year. Both Profit after tax (PAT) and earnings before interest, Tax depreciation and amortization (EBITDA) have recorded a remarkable growth. The Company recorded PAT of Rs.144 million compared to Rs. 84 million during the previous year, which is an increase of 71.26% over last year. The Company recorded its highest ever EBITA of Rs. 220 million as against Rs. 150 million representing an increase of Rs. 70 million or 46.91%

Hotel Suisse had a turnover of Rs. 301 million which was an increase of 38.70% over last year (Rs.217 million) while Queen's Hotel too performed well to have a turnover of Rs. 246 million which was an increase of 38.20% over last year (Rs.178 million)

OUTLOOK FOR FUTURE

The Tourism industry is one of the major contributors to the GDP and this sector will be one of the core areas of focus in the country's development. With the Government vision of 2.5 million tourists in 2016 and the increasing of the number of Hotel rooms to 35,000 according to SLTDA statistics. Sri Lanka will become one of the sought after holiday destinations in the world. In line with this Government vision, Kandy Hotels has started to construct a 120 Room hotel in Kandy (OZO Hotel) and expects to complete this Joint Venture Hotel Project by September 2014.

Further plans for the refurbishment of Queen's Hotel & Hotel Suisse are also underway for the restoration and development of the two prestigious heritage Hotels. The design and concept drawings will maintain the classic character of the Hotels.

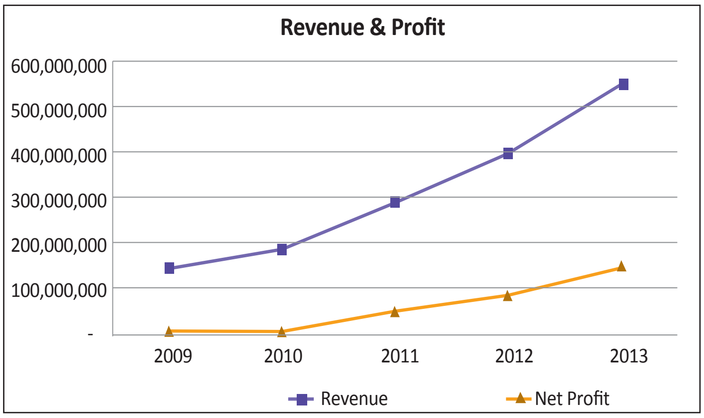
APPRECIATION

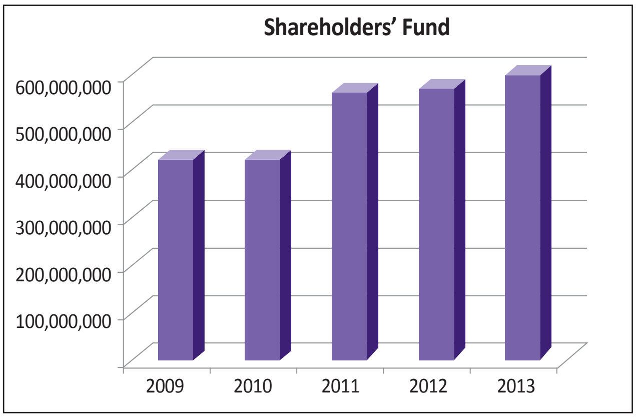
On behalf of the Board of Directors I take this opportunity to express our gratitude to our loyal clientele, our business partners, Bankers, Auditors and Secretaries for their continued support. I also thank our General Manager and the staff of both Queen's and Suisse for the commitment shown by them in providing quality customer service at all times. I also wish to extend my sincere appreciation to my colleagues on the Board for their valuable guidance and unstinted support during the year under review.

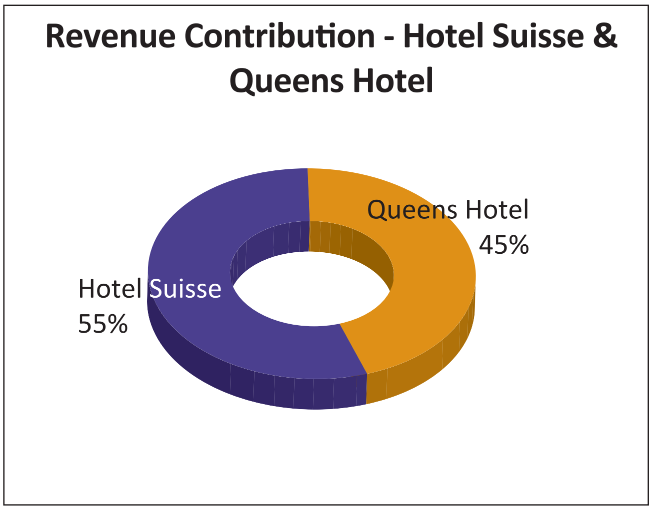
Finally a special word of thanks goes to our very supportive shareholders who are an integral part of the Kandy Hotels. We look forward to your continued trust and support in the years ahead.

Sanjeev Gardiner
Chairman

YEAR ENDED	31st March 2013 Rs. GROUP	31st March 2013 Rs. COMPANY	31st March 2012 Rs. COMPANY	31st March 2011 Rs. COMPANY	31st March 2010 Rs. COMPANY	31st March 2009 Rs. COMPANY
TRADING RESULTS						
TURNOVER	548,275,881	548,275,881	396,309,897	287,577,355	185,121,230	142,513,487
PROFIT/(LOSS) BEFORE TAX	161,068,662	165,272,304	96,326,756	40,483,121	4,970,830	(5,796,449)
TAXATION	(21,643,963)	(21,643,963)	(12,816,511)	8,037,393	(1,328,569)	10,514,783
NET PROFIT/ (LOSS) FOR THE YEAR	139,424,698	143,628,341	83,510,246	48,520,514	3,642,260	4,718,334
LIQUIDITY RATIO						
CURRENT RATIO	4.30	6.10	3.92	1.73	0.75	0.39
GEARING RATIO	0.0%	0.0%	0.0%	0.15%	0.28%	0.22%
INVESTOR RATIOS						
EARNING PER ORDINARY SHARE (Rs.)	0.24	0.25	0.14	2.94	0.22	0.29
NET ASSETS PER ORDINARY SHARE (Rs.)	10.35	10.35	9.87	340.42	251.72	255.32







MR. SANJEEV GARDINER (Chairman)

Mr. Gardiner who was Co-opted to the Board of Kandy Hotels on 06th Sept 2005 and appointed as Chairman, is the Group Chairman and Chief Executive Officer of the Galle Face Hotel Group and counts over 24 years of management experience in a diverse array of business. He is a Director of many public quoted and unquoted companies including Cargills (Ceylon) PLC. He holds a Bachelor of Business Degree from the Royal Melbourne Institute of Technology and a Bachelor of Business Degree (Banking & Finance) from Monash University, Australia. He is a Director and Council member of Helpage Sri Lanka and a member of many prestigious associations.

MR. CHARITHA RATWATTE

Mr. Ratwatte who was Co-opted to the Board of Kandy Hotels on 23rd May 2002 is an Attorney-at-Law of the Supreme Court of Sri Lanka. He had over 20 years experience in Government Service holding many high offices including that of Secretary to Ministry of Finance & Secretary to the Treasury, Secretary to Ministries of Policy Development & Implementation, Youth Affairs & Employment, Manpower Mobilization, Reconstruction, Rehabilitation & Social Welfare. He is also a Director of many organizations and is the Chairman & Managing Director of Sri Lanka Business Development Centre. His International experience covers a wide spectrum, including world assembly of Youth (Vice President) Asian Youth Council (Vice President) Consultant US AID, World Bank chief of Mission to Mongolia 1995 etc.

MR. LAKSHMAN SAMARASINGHE

Mr. Samarasinghe who was Co-opted to the Board of Kandy Hotels on 06th Sept 2005 has been a Director of Galle Face Hotel Co Ltd for over 35 years and a Director of all Group Companies for over 3 decades. He was appointed as an Executive Director of the Autodrome Ltd which is a quoted Company in 1973 (for 20 years) and thereafter continued as a non Executive Director until 2007 when he opted to retire under the Stock Exchange rules. He was appointed the Chairman of Ceylon Hotels Corporation PLC in 2005 and continues in that capacity for 8 consecutive years. He has a Diploma in Commerce and counts over 43 years of Management experience.

MR NAHIL WIJESURIYA

Mr. Wijesuriya who was Co-opted to the Board of Kandy Hotels on 23rd May 2002 is the Founder Chairman of East-West Group of Companies. A Marine Engineer by profession he has successfully speculated in the London and Singapore Property Markets and now is a Citizen of Singapore.

MR. PRIYANTHA MADDUMAGE

Mr. Maddumage who was Co-opted to the Board of Kandy Hotels Co (1938) Ltd on 06thSept 2005 is the Group Financial Controller of the Galle Face Hotel Group of Companies and counts over 20 years of Finance Management experience. He has a Bachelor of Commerce Special Degree from the University of Sri Jayawardanapura and a Master of Business Management from Edith Cowan University in Australia. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka, an Associate member of The National Institute of Accountants of Australia & Associate Member of CPA Australia, Associate Member of the Institute of Certified Management Accountants of Sri Lanka, & Fellow member of Institute of Certified Professional Managers of Sri Lanka

MR. PRADEEP NILANGA DELA

Mr. Nilanga Dela who was Co-opted to the Board of Kandy Hotels on 31st July 2006 is the Diyawadana Nilame of Sri Dalada Maligawa.

MR CHANDRA MOHOTTI

Mr. Mohotti was Co-opted to the Board of Kandy Hotels on 01st Sept 2004. Having received extensive training in the Southern Cross Inter- Continental Hotel in Australia, he joined the Inter – Continental Hotel (First 5 star Hotel in Colombo) in 1973, and held many Senior Management positions with this chain till 1983. During this period he had exposure in various countries in different Hotel disciplines. He then joined the Meridien International chain and again held various Senior Management positions in Sri Lanka and abroad and was the Executive Assistant Manager when he joined Marriott International Corporation at the opening of the Marriott in Colombo as its Resident Manager. Subsequently he was the first General Manager of the 500 roomed Galadari Hotel for a period of 10 years and has management experience for over 38 years. He was appointed as the Chairman of the Hotel School in Colombo in 2012.

MR LAKSHMAN SIRIMANNE

Mr. Sirimanne was Co-opted to the Board of Kandy Hotels on 27 September 2011 and possesses extensive experience at Senior Management level in the Corporate Sector having served at Ceylon Tobacco Co Ltd for over 26 years and thereafter on the Main Board at EastWest Properties Plc and its subsidiaries for over 10 years. He holds a Diploma in Mechanical and Chemical Engineering from the University of Moratuwa and an external degree in Management Science from the Institute of Management Science, Middlesex U K. He was also nominated to the Board of The Autodrome PLC in 2007. He presently serves as Group Director, Corporate Development at the Galle Face Hotel Group.

MR RANJITH GUNATILEKE

Mr. Gunatileke was Co-opted to the Board of Kandy Hotels on 11th November 2011. He possesses extensive experience at Senior Management level in the Corporate Sector having served as a Lecturer in Project Management, in Sri Lanka Institute of Architecture and thereafter as Chief Engineer of Mitsui Construction (Colombo branch) from 1979 to 2003. He is presently Chairman/General Manager of Sanken Lanka (Pvt) Ltd. He holds the position of Chairman of Major & Specialist Constructors, National Construction Association of Sri Lanka and serves as a Director of Advance Construction Training Academy.

He is a Graduate of Faculty of Engineering, University of Peradeniya, in Civil Engineering and achieved the professional status in 1979. He is also a Member of the Institute of Civil Engineers, United Kingdom since 1979.

Review of the Year

Chairman's review on page 3 describes the Company's affairs and mentions important events that occurred during the year, and up to the date of this report. The Financial Highlights on page 5 and pages 18 to 59 elaborates the financial results of the Company. These reports together with the audited financial statements reflect the state of the affairs of the Company.

Principal Activities / Core Business

The principle activity of the Company is the Hospitality Trade. The Company own Queen's Hotel and Hotel Suisse in Kandy, managed by the Galle Face Hotel Group.

Financial Statements

The financial statements prepared in compliance with the requirements of Section 151 of the Companies Act No 7 of 2007 are given on pages 18 to 59 in this annual report.

Independent Auditor's Report

The Auditor's Report on the financial statements is given on page 17 in this report.

Accounting Policies

The Accounting Policies adopted in preparation of the financial statements is given on pages 23 to 40 There were no changes in Accounting Policies adopted by the Company during the year under review.

Financial Results / Profit and Appropriations

The Company made a profit of Rs 143,628,341 for the year ended 31.03.2013 after charging depreciation of Rs 55,435,603, and Income Tax of Rs 21,643,963 details of which are given in Chairman's Statement and set out in Notes to the financial statement

Property, Plant & Equipment

During the year under review the Company invested a sum of Rs 43,747,543 (2012 – Rs 6,298,391) Rs. 21,745,538 on buildings, Rs. 11,436,582 on Plant and Machinery, Rs. 5,189,225 on Computers and equipments, Rs, 2,462,762 on Airconditioners, Rs. 3,800,000 on Software, Rs. 2,913,435 on Furniture and Fittings Rs, 696,440 on Bar equipment, Rs. 370,552 on Refrigerators and Cookers etc.,

Information relating to movement in Property, Plant & Equipment during the year is disclosed under Note 12 to the financial statement.

Market Value of Freehold Land

The freehold land classified as Property Plant and Equipments of the Company, is revalued on a routine basis by an independent qualified valuer. The most recent revaluation was carried out as at 31st March 2013. The details of the revaluation are given is the Notes 12.4 to 12.7 to the financial statement on page 49 in this report.

Directors' Responsibilities

The Statement of the Directors' Responsibilities is given on page 13 of this report.

Corporate Governance

The Company has compiled with the corporate governance rules laid down under the listing rules of the Colombo Stock Exchange, and is given on pages 11 and 12.

Dividend

The Directors recommend a final dividend of Rs 0.02 per share for the financial year 2012/2013.

Reserves

The Reserves and Accumulated Profits as at 31st March 2013 amount to Rs 5,981,410,990 (before the proposed final dividend, if any) vs Rs 5,697,708,666 as at 31st March 2012. The breakup and the movement are shown in the Statement of Changes in Equity in the financial statements.

Stated Capital

As per the terms of the Companies Act No. 7 of 2007, the stated capital of the Company was Rs 16,750,000/- as at 31st March 2013 and was unchanged during the year. The details are given in Note 20 to the financial statement on page 52.

Post Balance Sheet Events

There were no material events occurring after the Balance Sheet date that require adjustments, or disclosure which require adjustment in the Financial Statements.

Statutory Payments

The declaration relating to Statutory Payments is made in the Statement of Directors' Responsibilities on page 13.

Interests Register

Details of the transactions with Director-related entities are disclosed in Note 18 to the financial statements on page 51, and have been declared at the Board meeting, pursuant to Section 192 (2) of the Companies Act No. 7 of 2007.

BOARD COMMITTEES

Audit Committee

Following are the names of the Directors comprising the Audit Committee of the Board.

1. Mr. J.C. Ratwatte (Chairman)
2 Mr. Ranjith Gunatileke
3. Mr. Nahil Wijesuriya

The report of the Audit Committee on page 16 set out the manner of compliance by the Company in accordance with the requirements of the Rule 7.10.6 (c) of the Rules of the Colombo Stock Exchange on Corporate Governance.

Remuneration Committee

Following are the names of the Directors comprising the Remuneration Committee of the Board

1. Mr. J C Ratwatte (Chairman)
2. Mr. Nahil Wijesuriya
3. Mr. Ranjith Gunatleke

The report of the Remuneration committee on page No 12 contain a statement of the remuneration policy. No remuneration was paid to the executive and Non – Executive Directors during the financial year.

Share Information and Substantial Shareholdings

The distribution of shareholding, market value of shares, Investor Information and Twenty largest Shareholders are given on page 62 & 63.

The earnings per share, dividends per share and net assets per share are given in Financial Highlights on page 64 of this Annual Report.

Directors

The Directors of the Company as at 31st March 2013 and their brief profiles are given on page 6 & 7 in this report.

In terms of Section 91 of the Articles of Association of the Company, Mr. Sarath Chandra Mohotti retire by rotation and being eligible had offered himself for re-election.

Directors' Shareholding

The interest of the Directors in the shares of the Company as at 31st March 2013 were as follows;

No. of Ordinary Shares

	As at 31.03.2013	As at 31.03.2012
Mr. Sanjeev Gardiner	87,500	87,500
Mr. J. C. Ratwatte	175,000	175,000
Mr Lakshman Samarasinghe	5,500	5,500
Mr.C.L.Sirimanne	3,500	3,500

No. of Preference Shares

	As at 31.03.2013	As at 31.03.2012
Mr. Sanjeev Gardiner	9,500	9,500

Independence of Directors

In accordance with Rule 7.10.2 of Colombo Stock Exchange Rules on Corporate Governance ('CSECG Rules'), Mr. Charitha Ratwatte, Mr. Nahil Wijesuriya and Mr. Ranjith Gunatileke who are Non-Executive Directors of the Company, have submitted a signed and dated declaration to the Board of their Independence.

Donations

During the year, donations amounting to Rs. 286,638 (2012 – Rs. 1,527,562) were made by the Company.

Auditors

The resolutions to appoint the present Auditors, Messrs. Ernst & Young Chartered Accountant, who have expressed their willingness to continue in office, will be proposed at the Annual General Meeting.

The Audit and non-audit fees paid to the auditors is disclosed in the Note 07 on page 45 in this Annual Report.

As far as the Directors are aware, the Auditors do not have any relationship on interest in the Company.

The Audit committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Company including the level of audit and non-audit fees paid to the Auditor. Details on the work on the Audit Committee are set out in the Audit Committee Report.

Notice of Meeting

The Annual General Meeting will be held at Queen's Hotel, Kandy on 20th September 2013 at 11.00 a.m.

The Notice of the Annual General Meeting appears on page 65.

For and on behalf of the Board.

(Sgd.)
Sanjeev Gardiner
Chairman

(Sgd.)
Lakshman Samarasinghe
Director

Managers & Secretaries (Pvt) Ltd)
Secretaries

The Kandy Hotels Co. (1938) PLC.
26th July 2013
Colombo

Corporate Governance deals with the systems by which companies are led, directed and controlled, the role of the Board of Directors, the frame-work of internal controls and relationships between the Board of Directors, Shareholders and Auditors.

The platform on which Corporate Governance principals are structured in Sri Lanka is that the Board of Directors is responsible for the proper Governance of the Company. In that context, the Board of Directors of Kandy Hotels Co (1938) PLC, have recognized that their responsibilities include the setting out of the Company's strategic aims, providing the necessary leadership to implement such aims, supervising the management of the business and reporting to the shareholders on their stewardship. Therefore, they strive to discharge such duties collectively.

The shareholders responsibilities cover the re-election and appointment of Directors and Auditors and satisfying themselves that the appropriate Governance structures are in place.

The Board of Directors

The Board of Directors of Kandy Hotels Co (1938) PLC takes responsibility for good corporate Governance of the Company together with Group Executive Committee (GEC) of Galle Face Hotel Management Co (Pvt.) Ltd. The Board and the GEC set out the Company's strategic focus, and oversees the business and connected affairs of the Company and it also formulates the strategic objectives and policy frame work for the Company.

Board composition and Director's Independence as at 31st March 2013

Name of the Director	Type	Shareholding
Sanjeev Gardiner	Chairman	Yes
Lakshman Samarasinghe	Executive Director	Yes
Priyantha Maddumage	Executive Director	No
Charitha Ratwatte	Independent Non-executive Director	Yes
Chandra Mohotti	Non-Executive Director	No
Nahil Wijesuriya	Independent Non-executive Director	No
Pradeep Nilanga Dela	Independent Non-executive Director	No
Lakshman Sirimanne	Executive Director	Yes
Ranjith Gunatileke	Independent Non-executive Director	No

Directors Responsibility for the Preparation of the Financial Statements

The Board of Directors accepts the responsibility for the preparation of the financial statements, maintaining adequate records for safeguarding the assets of the Company, and preventing and detecting fraud and/or other irregularities. The Board of Directors also confirm that the applicable Sri Lanka Accounting Standards have been adhered to, subject to any material departures being disclosed and explained in the Notes to the Financial Statements.

The Board of Directors further confirm that suitable accounting policies consistency applied and supported by reasonable and prudent judgment and estimates, have been applied in the preparation of the financial statements.

Compliance regarding Payments

The Board of Directors confirm that all known statutory payments have been paid up to date and all retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in the financial statements.

Internal Control

The Board is responsible for ensuring that the Company has adequate and effective internal controls in place.

Going Concern

The Board of Directors is satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the "going concern" basis when preparing financial statements.

Remuneration Committee Report

The Purpose of the Remuneration committee headed by Mr. Charitha Ratwatte, and is assisted by M/s Nahil Wijesuriya and Ranjith Gunatileke, is to lay down guidelines and recommend a policy on remuneration of the Management Staff and General Staff.

The main objective of the remuneration package is designed to retain Quality Managerial Staff and reward those who are performing well. The Chairman and Executive Directors and the General Manager attend the meetings by invitation and provide information to the committee and participate in the deliberations.

(sgd)

Charitha Ratwatte
Chairman – Remuneration Committee
26th July 2013

STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Board of Directors is responsible for preparing and presenting the financial statements, which are· set out on pages 18 to 59.

As per the provisions of the Companies Act, No. 7 of 2007 the Directors are required to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year.

In preparing the financial statements, the Directors have selected appropriate accounting polices and applied them in a consistent manner. Such policies are supported by reasonable and prudent judgment and all applicable Accounting Standards have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company and to ensure that the financial statements presented comply with the requirements of the Companies Act, No. 7 of 2007.

The Directors have taken reasonable steps to safeguard the assets of the Company and established appropriate internal control systems with a view to preventing and for the detection of fraud and other irregularities.

The Directors are confident that they have discharged their responsibility as set out in this statement. They also conifrm that to the best of their knowledge all statutory payments payable by the Company as at the balance sheet date have been paid or where relevant, provided for.

Managers & Secretaries (Pvt) Ltd.
Secretaries
No. 08, Tickell Road,
Colombo 08.

26th July 2013

The Kandy Hotels committed to do their business to behave ethically and contribute to economic development and society.

Being actively participating to the Vesak and Poson Festivals, Kandy Hotels held the Dansala on both Poya days, which more than ten thousand devotees attended. This contribution was on its sixth consecutive year and Dansal was opened with the present of Hon Tikiri Kobbekaduwa Governor of Central Province, Hon Keheliya Rambukwella Media Minister, His Worship Mayor of Kandy Mahendra Ratwatte, Hon Dilum Amunugama M.P, Deputy Mayor Mr. Sena Dissanayake, Diyawadana Nilame Pradeep Nilanga Dela, D.I.G. Mr. Peramune, Brig Wijeratna, G.A. Mr. Gamini Seneviratna

Financial Reports

Report of the Audit Committee

The Audit Committee headed by Mr. Charitha Rattwatte is assisted by Messrs Nahil Wijesuriya and Ranjith Gunatileke is empowered to review and monitor the financial affairs of the Company with particular attention to the internal and external audit functions and internal control procedures.

The Audit Committee dealt with matters arising from the Audit Report and matters brought to their attention by the Management: Directions are given so as to ensure compliance with best practice for Corporate Governance relating to regulatory compliance and control issues. Steps were taken to make the management of the two properties aware expeditiously to ensure quick implementation of the recommendations of the Audit Committee.

The Audit Committee having determined that the Auditors are independent has recommended to the Board of Directors the re-appointment of Messrs Ernst and Young as external Auditors for the financial year ending 31st March 2013, subject to the approval of the shareholders at the Annual General Meeting and to appoint Messrs SJMS Associates as Internal Auditors.

(sgd)
Charitha Ratwatte
Chairman - Audit Committee

26th July 2013

Building a better working world

Ernst & Young
Chartered Accountants
839/2, Peradeniya Road
Kandy
Sri Lanka

Tel : +94 81 223 2056
: +94 81 447 1354
: +94 81 447 1356
Fax : +94 81 223 2056
ey.com

RND/TRK/CHZ

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE KANDY HOTELS COMPANY (1938) PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Financial Statements of The Kandy Hotels Company (1938) PLC ("Company"), the Consolidated Financial Statements of the Company and its subsidiary which Comprise the Statements of Financial Position as at 31 March 2013, and the Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Cash Flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

SCOPE OF AUDIT AND BASIS OF OPINION

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its Subsidiary dealt with thereby, so far as concerns of the shareholders of the Company.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

These financial statements also comply with the requirements of Section 151(2) and 153 (2) to 153 (7) of the Companies Act No.7 of 2007.

26 July 2013
Kandy

For the year ended 31 March	Note	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Revenue	3	548,275,881	548,275,881	396,309,897
Cost of sales		(179,658,023)	(179,658,023)	(138,423,591)
Gross profit		368,617,858	368,617,858	257,886,306
Other operating income	4	920,054	920,054	1,054,831
Administrative expenses		(176,155,771)	(175,896,299)	(145,024,069)
Selling and distribution expenses		(29,267,935)	(29,267,935)	(17,193,218)
Results from operating activities		164,114,207	164,373,679	96,723,850
Finance expenses	5	(290,197)	(290,197)	(677,287)
Finance income	6	1,188,822	1,188,822	280,194
Net finance cost		898,625	898,625	(397,093)
Share of loss of joint venture	15	(3,944,171)	-	-
Profit before tax	7	161,068,662	165,272,304	96,326,757
Income tax expense	8	(21,643,963)	(21,643,963)	(12,816,511)
Profit for the year		139,424,698	143,628,341	83,510,246
Attributable to:				
Equity holders of the parent		139,424,698	-	-
		139,424,698	-	-
Basic earnings per share	9	0.24	0.25	0.14
Dividend per share	10	0.02	0.02	0.005

The accounting policies and notes from pages 23 to 59 form an integral part of these financial statements.

For the year ended 31 March	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Profit for the year	139,424,698	143,628,341	83,510,246
Other Comprehensive Income			
Effect of revaluation of property, plant and equipment	164,510,481	164,510,481	-
Deferred tax on revaluation surplus	(11,220,658)	(11,220,658)	-
Total other comprehensive income for the year, net of tax	153,289,823	153,289,823	-
Total comprehensive income for the year, net of tax	292,714,521	296,918,164	83,510,246
Attributable to:			
Equity holders of the parent	292,714,521	-	-
	292,714,521	-	-

The accounting policies and notes from pages 23 to 59 form an integral part of these financial statements.

As at 31 March	Note	Group 2013 Rs.	Company 2013 Rs.	Group / Company 2012 Rs.	Group / Company As at 1st April 2011 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	5,827,754,700	5,827,754,700	5,768,168,282	5,814,764,787
Intangible assets	13	3,040,000	3,040,000	-	-
Investment in subsidiary	14	-	100	-	-
Investment in joint venture	15	137,085,830	-	-	-
		5,967,880,530	5,830,794,800	5,768,168,282	5,814,764,787
Current assets					
Inventories	16	20,814,452	20,814,452	18,237,415	15,334,636
Trade and other receivables	17	84,203,104	84,203,104	59,932,710	47,742,316
Advances and prepayments		8,026,553	8,026,553	3,566,867	1,942,536
Amounts due from related companies	18	170,420,167	311,450,068	105,493,195	27,644,862
Short term deposits	19	32,242,584	32,242,584	851,232	792,877
Cash and bank balances	28	25,650,716	25,600,716	44,967,345	22,540,072
		341,357,575	482,337,476	233,048,764	115,997,299
Total assets		6,309,238,105	6,313,132,276	6,001,217,046	5,930,762,086
EQUITY AND LIABILITIES					
Equity					
Stated capital	20	16,750,000	16,750,000	16,750,000	16,750,000
Retained earnings		349,130,664	353,334,307	186,586,379	74,502,946
Other components of equity	21	5,611,326,683	5,611,326,683	5,494,372,287	5,525,622,975
Total equity		5,977,207,347	5,981,410,990	5,697,708,666	5,616,875,920
Non-current liabilities					
Interest bearing loans and borrowings	22	-	-	605,004	4,515,010
Deferred tax liabilities	23	250,758,766	250,758,766	241,606,592	240,874,112
Employee benefit liabilities	24	1,910,975	1,910,975	1,849,897	1,538,441
		252,669,741	252,669,741	244,061,493	246,927,563
Current liabilities					
Trade and other payables	25	48,167,362	48,083,951	45,320,034	38,342,325
Amounts due to related companies	18	4,854,436	4,628,375	203,921	-
Income tax liabilities	26	14,637,406	14,637,406	6,144,699	7,099,517
Interest bearing loans and borrowings	22	605,015	605,015	660,004	3,660,004
Other current liabilities	27	5,314,537	5,314,537	7,118,228	4,350,606
Bank overdrafts	28	5,782,260	5,782,260	-	13,506,151
		79,361,017	79,051,545	59,446,887	66,958,603
Total equity and liabilities		6,309,238,105	6,313,132,276	6,001,217,046	5,930,762,086

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

Sgd - Priyantha Maddumage
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Sgd - Sanjeev Gardiner
Director

Sgd - Lakshman Samarasinghe
Director

The accounting policies and notes as set out in pages 23 to 59 from an integral part of these financial statements.
26 July 2013
Kandy

Year ended 31 March	Note	Group 2013 Rs.	Company 2013 Rs.	Company 2012 Rs.
Cash flows from/(used in) operating activities				
Profit before tax		161,068,662	165,272,304	96,326,757
Adjustments for:				
Finance income	6	(1,188,822)	(1,188,822)	(280,194)
Finance expenses	5	290,197	290,197	677,287
Share of results of equity accounted investee	15	3,944,171	-	-
Depreciation of property, plant and equipment	12	55,435,603	55,435,603	52,894,896
Provision for bad & doubtful debtors	17	425,425	425,425	2,435,435
Provision for written-down value of inventory	16	12,754	12,754	7,102
Bad debtors written off	7	4,005,317	4,005,317	3,511,633
Amortisation of intangible assets	13	760,000	760,000	-
Profit on disposal of property, plant and equipment	4	(30,001)	(30,001)	-
Gratuity provision and related costs	24	193,253	193,253	396,406
Operating profit before working capital changes		224,916,558	225,176,030	155,969,321
(Increase)/decrease in inventories		(2,589,791)	(2,589,791)	(2,909,881)
(Increase)/decrease in trade and other receivables		(28,701,135)	(28,738,623)	(19,761,792)
(Increase)/decrease in amount due from related parties		(71,123,512)	(205,956,873)	(77,848,333)
(Increase)/decrease in advances and prepayments		(4,459,686)	(4,459,686)	-
Increase/(decrease) in trade and other creditors		2,763,917	2,763,917	9,707,832
Increase/(decrease) in other current liabilities		(1,803,691)	(1,803,691)	-
Increase/(decrease) in amount due to related parties		4,650,515	4,424,454	203,921
Cash generated from/ (used in) operations		123,653,174	(11,184,264)	65,361,069
Finance expenses paid		(290,197)	(290,197)	(677,287)
Income tax paid	26	(15,219,740)	(15,219,740)	(13,038,850)
Gratuity paid	24	(132,175)	(132,175)	(84,950)
Net cash flow from/(used in) operating activities		108,011,062	(26,826,376)	51,559,982
Cash flows from/ (used in) investing activities				
Interest received	6	1,188,822	1,188,822	280,194
Purchase and construction of property, plant and equipment	12	(96,027,380)	(96,027,380)	(6,298,391)
Investment in subsidiaries	14	-	(100)	-
Proceeds from disposal of property, plant and equipment		-	141,030,001	-
Acquisition of intangible assets	13	(3,800,000)	(3,800,000)	-
Net cash flow from/(used in) investing activities		(98,638,558)	42,391,343	(6,018,197)
Cash flows from/ (used in) financing activities				
Dividend paid	10	(8,662,500)	(8,662,500)	(2,640,000)
Repayment of long term borrowings	22	(660,004)	(660,004)	(6,910,006)
Net cash flow from /(used in) financing activities		(9,322,504)	(9,322,504)	(9,550,006)
Net Increase/(decrease) in cash and cash equivalents		50,000	6,242,464	35,991,779
Cash and cash equivalents at the beginning of the year	28	52,061,040	45,818,576	9,826,797
Cash and cash equivalents at the end of the year	28	52,111,040	52,061,040	45,818,576

The accounting policies and notes from pages 23 to 59 form an integral part of these financial statements.

Group	Stated capital Rs.	Revaluation reserves Rs.	Other reserves Rs.	Retained earnings Rs.	Total equity Rs.
As at 1 April 2011	**16,750,000**	**5,521,782,497**	**3,840,478**	**74,502,946**	**5,616,875,920**
Dividends paid (2010 & 2011)	-	-	-	(2,640,000)	(2,640,000)
Dividends - (15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Transfer to retained earnings	-	(31,250,688)	-	31,250,688	-
Profit for the year	-	-	-	83,510,246	83,510,246
As at 31 March 2012	16,750,000	5,490,531,809	3,840,478	186,586,379	5,697,708,666
Profit for the year	-	-	-	139,424,698	139,424,698
Other comprehensive income	-	153,289,823	-	-	153,289,823
Total comprehensive income	-	153,289,823	-	139,424,698	292,714,521
Transfer on revaluation of building	-	(4,515,840)	-	-	(4,515,840)
Transfer to retained earnings	-	(31,819,587)	-	31,819,587	-
Dividends - (15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Dividends paid (2011 & 2012)	-	-	-	(8,662,500)	(8,662,500)
Balance as at 31st March 2013	16,750,000	5,607,486,205	3,840,478	349,130,664	5,977,207,347

Company	Stated capital Rs.	Revaluation reserves Rs.	Other reserves Rs.	Retained earnings Rs.	Total equity Rs.
As at 1 April 2011	16,750,000	5,521,782,497	3,840,478	74,502,946	5,616,875,920
Dividends paid (2010 & 2011)	-	-	-	(2,640,000)	(2,640,000)
Dividends-(15% Cumulative preference shares)	-	-	-	(37,500)	(37,500)
Transfer to retained earnings	-	(31,250,688)	-	31,250,688	-
Profit for the year	-	-	-	83,510,246	83,510,246
As at 31 March 2012	16,750,000	5,490,531,809	3,840,478	186,586,379	5,697,708,666
Profit for the year	-	-	-	143,628,341	143,628,341
Other comprehensive income	-	153,289,823	-	-	153,289,823
Total comprehensive income	-	153,289,823	-	143,628,341	296,918,164
Transfer on revaluation of building	-	(4,515,840)	-	-	(4,515,840)
Dividends-(15% cumulative preference shares)	-	-	-	(37,500)	(37,500)
Transfer to retained earnings	-	(31,819,587)	-	31,819,587	-
Dividends paid (2011 & 2012)	-	-	-	(8,662,500)	(8,662,500)
					-
Balance as at 31st March 2013	16,750,000	5,607,486,205	3,840,478	353,334,307	5,981,410,990

The accounting policies and notes as set out in pages 23 to 59 from an integral part of these financial statements.

1 CORPORATE INFORMATION

1.1 General

The Kandy Hotels Company (1938) PLC is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company is located at Hotel Suisse No 30, Sangaraja Mawatha, Kandy, and the principal place of business is situated at Hotel Suisse No: 30, Sangaraja Mawatha, Kandy and Queens Hotel, No. 04, Dalada Veediya, Kandy.

The Consolidated Financial Statements of the Company for the year ended 31 March 2013 comprise the Company and its subsidiaries (together referred to as "the Group").

The Consolidated Financial Statements of the Group for the year ended 31 March 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 26 July 2013.

1.2 Principal Activities and Nature of Operations

The Principal activity of the Company, which is Hoteliering, remained unchanged.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent undertaking is Ceylon Hotels Corporation. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is also Ceylon Hotels Corporation PLC, which is incorporated in Sri Lanka.

The Financial Statements of all companies in the Group are prepared for a common financial year, which ends on 31 March and are incorporated in Sri Lanka.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 7 of 2007.

For all periods up to and including the year ended 31 March 2012, the Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS). These Financial Statements for the year ended 31 March 2013 are the first the Group has prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS). Refer to Note 2 for information on how the Group adopted SLFRS and LKAS.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

- Land is measured at cost at the time of the acquisition and subsequently lands are revalued.
- Financial instrument fair value through profit or loss is measured at fair value.

Where appropriate, the specific policies are explained in the succeeding Notes.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.2.1 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupee, which is the Group's functional currency.

2.2.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading and operations.

2.2.3 Comparative Information

The accounting policies have been consistently applied by the Company and they are consistent with those used in the previous year except for the values described in Note 2.

2.2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements and in preparing the opening SLFRS Statement of Financial Position at 1 April 2011 for the purpose of the transition to SLFRSs, unless otherwise indicated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Basis of Consolidation

The Consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its subsidiaries.

2.4.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities which is evident when the Group controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or entitled to receive more than half of every dividend from shares carrying unlimited right to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The subsidiary and their controlling percentages of the Group, which have been consolidated, are as follows:

Subsidiary	2013	2012
Suisse Hotel (Private) Limited	100%	-

The interest of outside shareholders in Group Companies is disclosed separately under the heading of "Non- controlling Interest".

The results of subsidiaries acquired or incorporated during the period have been consolidated from the date of acquisition or incorporation, while the results of subsidiaries disposed, have been accounted up to the date of disposal. Non- controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in statement of income.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of income or retained earrings, as appropriate.

2.4.2 Interest in Joint Venture

A joint venture is a jointly controlled entity, whereby the Group and other parties have a contractual arrangement that establishes joint control over the economics activities of the entity. The arrangement requires unanimous agreement for financial and operating decisions among the ventures.

The Company's investment in joint venture is accounted for using the equity method of accounting. A joint venture is an entity in which the Company has significant influence and which is neither a subsidiary nor an associate.

Under the equity method, the investment in the joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortized. The income statement reflects the share of the results of operations of the joint venture. Where there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The reporting dates of the joint venture and the Group are identical and the joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Joint ventures entered into by the Group, which have been accounted for under the equity method are;

Name	Country of Incorporation	Holding Percentage 2013	2012
Suisse Hotels Kandy (Pvt) Ltd	Sri Lanka	50%	-

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of remaining investment and proceeds from disposal are recognised in the income statement. When the remaining investment constitutes significant influence, it is accounted for as investment in a joint venture.

2.4.3 Transactions with Non - Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under the heading “Non-controlling Interest”.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.4.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

2.4.5 Foreign Currency Translations

The Group’s Consolidated Financial Statements are presented in Sri Lanka Rupees, which is the functional and presentation currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Transactions in foreign currencies are initially recorded by the Group at the functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items is recognized in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognized in other comprehensive income or statement of income is also recognized in other comprehensive income or profit or loss respectively).

2.4.6 Statement of Comprehensive Income

For the purpose of presentation of the Income Statement, the function of expenses method is adopted, as it represents fairly the elements of Group performance.

2.5 Income Statement

2.5.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Room revenue

Room revenue is recognized on the rooms occupied on a daily basis and food and beverage and other hotel related sales are accounted for at the point of sales.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of income.

Rental income

Rental income is recognised in profit and loss as it accrues.

Gains and Losses on Disposal of Assets

Gains and losses on disposal of Assets are determined by comparing the net sales proceeds with the carrying amounts of the Assets and are recognised net within "other operating income" in the Statement of Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

2.5.2 Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the Statement of Income in the year in which the expenditure is incurred.

2.5.3 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

2.5.4 Finance Income and Finance Costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through statement of income. Interest income is recognised as it accrues in Statement of Income.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

2.5.5 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in statement of income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed.

Tax withheld on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.6 Assets and Bases of Their Valuation

2.6.1 Property, Plant and Equipment

2.6.1.1 Recognition and Measurement

Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The Group has elected to transfer the revaluation surplus to retained earnings as the asset is being used. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Assets	**Years**
Building	50
Swimming pool	50
Plant and machinery	10
Equipment	13
Furniture and fittings	13
Motor vehicles	05
Computer equipment	03
Air Conditioners	05
Generator	10
Solar Power Hot water System	10
Satellite Receiver	03

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.6.2 Lease Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

2.6.2.1 Group as a Lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.6.2.2 Subsequent Costs

The cost of replacing a component of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in profit and loss as incurred.

2.6.2.3 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in statement of income and gains are not classified as revenue. When revalued assets are sold, any related amount included in the Revaluation Reserve is transferred to Retained Earnings.

2.6.2.4 Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

2.6.2.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible asset is assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

The useful life of intangible asset is as follows;

Computer Software	Over 5 Years

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function/nature of the intangible asset. Amortisation was commenced when the assets were available for use.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognized.

2.6.3 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Costs incurred in bringing inventories to its present location and conditions are accounted using the following formulae: -

At actual cost on Weighted Average methods.

2.6.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

2.6.5 Impairment of Non-Financial Assets

The carrying amounts of the Group's non financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

2.6.6 Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

2.6.7 Impairment/ Reversal of Impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Financial Instruments – Initial Recognition and Subsequent Measurement

2.7.1 Non-Derivative Financial Assets

2.7.1.1 Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

2.7.1.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The Group has not designated any financial assets at fair value through profit or loss.

2.7.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.7.1.4 Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of income.

2.7.2 Financial Liabilities

2.7.2.1 Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

2.7.2.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of income.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

2.7.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.7.2.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts

And

- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

2.7.2.5 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 11.

2.7.3 Employee Benefits

2.7.3.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in statement of income in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

2.7.3.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 24. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

2.7.3.3 Short Term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

2.7.4 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.7.5 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Note 30 to the Financial Statements.

2.7.6 Stated Capital

2.7.6.1 Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2.7.7 General

2.7.7.1 Events occurring after the reporting date

All material post Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

2.7.7.2 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

2.7.8 Cash Flow Statement

The Cash Flow Statement has been prepared using the “indirect method”.

Interest paid is classified as an operating cash flow. Which are related to purchase and construction of Property, Plant and Equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows and Dividends received are classified as investing cash flows.

2.7.9 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with SLFRS/LKAS’s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes.

Measurement of the defined benefit obligations

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 24. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

2.7.9.1 Impairment of Property, Plant and Equipment

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.

2.7.9.2 Revaluation of Property Plant and Equipment

The Group measures property, plant and equipment at revalued amount with change in value being recognised in the Statement of Other comprehensive income. The valuer has used valuation techniques such as open market value.

2.8 First time adoption of SLFRS

These financial statements, for the year ended 31 March 2013, are the first the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31 March 2011, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 April 2011, the Group's date of transition to SLFRS.

2.9 EXPLANATIONS TO THE TRANSITION OF SLFRS

To comply with the SLFRS 1, the Group provides explanations to the transition to SLFRS/LKAS from SLAS. The explanations includes a background and quantification of the change, This also includes reconciliation of Group's equity as at the date of transition 1 April 2011 and end of latest reporting period 31 March 2012. Reconciliation for total comprehensive income includes only for the latest financial year ended 31 March 2012.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- SLFRS 9 Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- SLFRS 10-Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee - SIC-12 Consolidation - Special Purpose Entities.

SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014.

- SLFRS 12-Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014.

- SLFRS 13-Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2014.

2.8 RECONCILIATION OF COMPREHENSIVE INCOME- INCOME STATEMENT

For the year ended 31st March 2012	Note	As per SLAS Re-stated Rs.	Group/Company Remeasurement Rs.	As per SLFRS/LKAS Rs.
Revenue		396,309,897	-	396,309,897
Cost of sales		(138,423,591)	-	(138,423,591)
Gross profit		257,886,306	-	257,886,306
Other operating income	A	1,335,025	(280,194)	1,054,831
Selling and distribution expenses		(17,193,218)	-	(17,193,218)
Administrative expenses		(145,024,069)	-	(145,024,069)
Finance costs		(677,287)	-	(677,287)
Finance income	B	-	280,194	280,194
Profit before tax		96,326,757	-	96,326,757
Income tax expense		(12,816,511)	-	(12,816,511)
Profit for the year		83,510,246	-	83,510,246

2.8.1 RECONCILIATION OF EQUITY - COMPANY STATEMENT OF FINANCIAL POSITION

Reconciliation of equity as at 1 April 2011 (date of transition to SLFRS's)

	Note	As per SLAS	Group/Company Effect of transition to SLFRS/LKAS	As per SLFRS/ LKAS
		Rs.	Rs.	Rs.
ASSETS				
Non-current assets				
Property, plant and equipment		5,814,764,787	-	5,814,764,787
		5,814,764,787	-	5,814,764,787
Current assets				
Inventories	C	15,334,636	-	15,334,636
Trade and other receivables	D	49,684,853	(1,942,536)	47,742,316
Advances and prepayments		-	1,942,536	1,942,536
Amounts due from related parties		27,644,862	-	27,644,862
Short term investments		792,877	-	792,877
Cash in hand and at bank		22,540,072	-	22,540,072
		115,997,299	-	115,997,299
Total assets	B	5,930,762,086	-	5,930,762,086
EQUITY AND LIABILITIES				
Stated capital		16,750,000	-	16,750,000
Capital reserves	E	5,525,622,975	(5,525,622,975)	-
Revenue reserves		74,502,946	-	74,502,946
Other components of equity	F	-	5,525,622,975	5,525,622,975
Total equity		5,616,875,920	-	5,616,875,920
Non-current liabilities				
Interest bearing loans & borrowings		4,515,010	-	4,515,010
Deferred tax liabilities		240,874,112	-	240,874,112
Employee benefit liabilities		1,538,441	-	1,538,441
		246,927,563	-	246,927,563
Current liabilities				
Trade and other payables	G	42,692,931	(4,350,606)	38,342,325
Amounts due to related parties		-	-	-
Income tax liabilities		7,099,517	-	7,099,517
Other current liabilities	H	-	4,350,606	4,350,606
Interest bearing loans & borrowings		3,660,004	-	3,660,004
Bank overdrafts		13,506,151	-	13,506,151
		66,958,603	-	66,958,603
Total equity and liabilities		5,930,762,086	-	5,930,762,086

2.8.2 RECONCILIATION OF EQUITY - COMPANY STATEMENT OF FINANCIAL POSITION

Reconciliation of equity as at 31 March 2012

	Note	As per SLAS	Group/Company Effect of transition to SLFRS/LKAS	As per SLFRS/ LKAS
		Rs.	Rs.	Rs.
ASSETS				
Non-current assets				
Property, plant and equipment		5,768,168,282	-	5,768,168,282
		5,768,168,282	-	5,768,168,282
Current assets				
Inventories		18,237,415	-	18,237,415
Trade and other receivables	C	63,499,577	(3,566,867)	59,932,710
Advances and prepayments	D	-	3,566,867	3,566,867
Amounts due from related parties		105,493,195	-	105,493,195
Short term investments		851,232	-	851,232
Cash in hand and at bank		44,967,345	-	44,967,345
		233,048,764	-	233,048,764
Total assets		6,001,217,046	-	6,001,217,046
EQUITY AND LIABILITIES				
Stated capital		16,750,000	-	16,750,000
Capital reserves	E	5,494,372,287	(5,494,372,287)	-
Revenue reserves		186,586,379	-	186,586,379
Other components of equity	F	-	5,494,372,287	5,494,372,287
Total equity		5,697,708,666	-	5,697,708,666
Non-current liabilities				
Interest bearing loans & borrowings		605,004	-	605,004
Deferred tax liabilities		241,606,592	-	241,606,592
Employee benefit liabilities		1,849,897	-	1,849,897
		244,061,493	-	244,061,493
Current liabilities				
Trade and other payables	G	52,438,262	(7,118,228)	45,320,034
Amounts due to related parties		203,921	-	203,921
Income tax liabilities		6,144,699	-	6,144,699
Other current liabilities	H	-	7,118,228	7,118,228
Interest bearing loans & borrowings		660,004	-	660,004
		59,446,887	-	59,446,887
Total equity and liabilities		6,001,217,046	-	6,001,217,046

A Other operating income

As per previous SLAS interest income has been classified under other operating income. Under SLFRS/LKAS interest income has been classified in finance income.

Reclassification from	Reclassification to	Group For the year ended 31 March 2012 Rs.	Company For the year ended 31 March 2012 Rs.
Other operating income	Finance Income	280,194	280,194

C Trade and other receivables

Due to the application of LKAS 32 & 39, non financial assets (Prepayments and tax refunds) in trade & other receivables have been reclassified to advance and prepayment.

Reclassification from - Trade and other receivables Reclassification to - Advances and prepayments	Group For the year ended 31 March 2012 Rs.	Company For the year ended 31 March 2012 Rs.
As at 31st March 2012	3,566,867	3,566,867
As at 1st April 2011	1,942,536	1,942,536

E Capital reserves

Due to the application of SLFRS/LKAS, Presentation of financial statements has changed. Some capital reserves have been reclassified to other component of equity.

Reclassification from - Capital reserves Reclassification to - Other components of equity	Group For the year ended 31 March 2012 Rs.	Company For the year ended 31 March 2012 Rs.
As at 31st March 2012	5,494,372,287	**5,494,372,287**
As at 1st April 2011	5,525,622,975	**5,525,622,975**

G Trade and other payables

Due to the application of LKAS 32 & 39, non financial liabilities (Tax payables and advance received) in trade & other payables have been reclassified to other current liabilities.

Reclassification from - Trade and other payables Reclassification to - Other current liabilities	Group For the year ended 31 March 2012 Rs.	Company For the year ended 31 March 2012 Rs.
As at 31st March 2012	7,118,228	7,118,228
As at 1st April 2011	4,350,606	4,350,606

I Statement of cash flows

The transition from SLAS to SLFRS/LKAS has not had a material impact on the statement of cash flows.

		Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
3	**REVENUE**			
3.1	**Summary**			
	Gross revenue	565,727,448	565,727,448	396,309,897
	Less: Turnover based taxes			
	Turnover tax	(12,002,257)	(12,002,257)	-
	Tourism development levy	(5,449,310)	(5,449,310)	-
		548,275,881	548,275,881	396,309,897
4	**OTHER OPERATING INCOME**			
	Gain on foreign currency exchange	890,053	890,053	1,054,831
	Profit on disposal of property, plant and equipment	30,001	30,001	-
		920,054	920,054	1,054,831
5	**FINANCE EXPENSES**			
	Interest expenses on bank overdrafts	17,897	17,897	88,213
	Interest expenses on bank loans	-	-	316,774
	Interest expenses on finance leases	272,300	272,300	272,300
		290,197	290,197	677,287
6	**FINANCE INCOME**			
	Interest income	1,188,822	1,188,822	280,194
		1,188,822	1,188,822	280,194
7	**PROFIT BEFORE TAX**			
	Profit before tax is stated after charging all expenses including the following;			
	Auditors' remuneration	750,000	750,000	512,580
	Costs of defined employee benefits			
	Defined Benefit Plan cost	193,253	193,253	400,406
	Defined contribution Plan cost - EPF & ETF	1,745,900	1,745,900	1,677,340
	Staff expenses	23,923,347	23,923,347	15,389,542
	Depreciation of property, plant and equipment	55,435,603	55,435,603	52,894,896
	Surcharges & fines	34,272	34,272	146,331
	Legal expenses	121,400	121,400	125,050
	Professional charges	2,647,037	2,647,037	824,761
	Sales promotions & advertising	3,321,880	3,321,880	1,870,781
	Amortisation of intangible assets	760,000	760,000	-
	Bad debtors written off	4,005,317	4,005,317	3,511,633
	Provision for written-down value of inventory	12,754	12,754	7,102
	Donations	286,638	286,638	1,527,562

		Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
8	**INCOME TAX EXPENSE**			
	The major components of income tax expenses for the year ended 31st March are as follows :-			
	Current income tax			
	Income statement			
	Current income tax charge (Note 8.1)	23,712,447	23,712,447	12,084,031
		23,712,447	23,712,447	12,084,031
	Deferred Income Tax			
	Deferred tax charge /(reversal) (Note 8.2)	(2,068,484)	(2,068,484)	732,479
	Total income tax expenses	21,643,963	21,643,963	12,816,511

8.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows;

	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Accounting profit before tax	165,272,304	165,272,304	96,326,757
Less: Non business income	(14,004,206)	(14,004,206)	(7,190,200)
Aggregate disallowed items	62,218,073	62,218,073	58,272,777
Less: Aggregate allowable items	(20,940,477)	(20,940,477)	(8,268,796)
Taxable income	192,545,693	192,545,693	139,140,538
Less: Allowable rentals on lease	(745,843)	(745,843)	(745,843)
Taxable profit	191,799,850	191,799,850	138,394,695
Tax losses brought forward and utilized	(24,025,317)	(24,025,317)	(48,438,143)
Taxable business income	167,774,533	167,774,533	89,956,552
Other Sources of Income			
Interest income	11,381	11,381	280,194
Rental income	12,785,383	12,785,383	6,910,006
Taxable other income	12,796,764	12,796,764	7,190,200
Tax losses brought forward and utilised	-	-	(2,516,570)
Taxable income on other sources			4,673,630
Total taxable income	180,571,298	180,571,298	94,630,182
Income tax on business profit @ 12%	20,129,353	20,129,353	10,794,786
Income tax on interest income @ 28%	3,187	3,187	-
Income tax on other sources @ 28%	3,579,907	3,579,907	1,289,245
Current income tax charge	23,712,447	23,712,447	12,084,031

8.2 Deferred tax expense /(reversal)

	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Income statement			
Deferred tax arising from			
- Accelerated depreciation for tax purposes	6,266,352	6,266,352	(5,338,189)
- Retirement benefit obligation	(7,329)	(7,329)	(37,375)
- Benefit arising from tax losses & others	2,893,151	2,893,151	6,108,043
Statement of changes in equity			
- Tax effect on revaluation	(11,220,658)	(11,220,658)	-
Total deferred tax charge/(reversal)	(2,068,484)	(2,068,484)	732,479

8.3 Tax losses carried forward

	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Tax losses brought forward	24,055,242	24,055,242	75,009,955
Tax loss adjustment as per income tax return	(29,925)	(29,925)	-
Utilization of tax losses	(24,025,317)	(24,025,317)	(50,954,713)
	-	-	24,055,242

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting preference share dividends) by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations.

	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Amounts used as the numerator :			
Profit for the year	139,424,698	143,628,341	83,510,246
Dividends on preference shares	(37,500)	(37,500)	(37,500)
Profit attributable to ordinary shareholders of parent company for basic earnings per share	139,387,198	143,590,841	83,472,746
Amounts used as the denominator :			
Weighted average number of ordinary shares at the beginning of the year	577,500,000	577,500,000	16,500,000
Number of shares issues due to Sub division of shares during the year	-	-	561,000,000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	577,500,000	577,500,000	577,500,000
Earnings per share	0.24	0.25	0.14

10 DIVIDEND PER SHARE

Equity dividend on ordinary shares

	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.
Declared and paid during the year			
Final dividend-2011/12	8,662,500	8,662,500	2,640,000
Total dividend	8,662,500	8,662,500	2,640,000
Dividend per share	0.02	0.02	0.005

11 FINANCIAL INSTRUMENTS

11.1 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories	Loans and receivables			
	Group	**Company**	**Group / Company**	
As at 31st March	**2013**	**2013**	**2012**	**As at 1st April 2011**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Financial instruments in current assets				
Trade and other receivables	84,203,104	84,203,104	59,932,710	47,742,316
Amounts due from related parties	170,420,167	311,450,068	105,493,195	27,644,862
Short term deposits	32,242,584	32,242,584	851,232	792,877
Cash and bank balances	25,650,716	25,600,716	44,967,345	22,540,072
Total	312,516,570	453,496,472	211,244,482	98,720,126

Financial liabilities by categories	Financial liabilities measured at amortised cost			
	Group 2013	**Company 2013**	**Group / Company 2012**	**As at 1st April 2011**
As at 31 st March	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Financial instruments in non current liabilities				
Interest bearing loans & borrowings	-	-	605,004	4,515,010
Financial instruments in current liabilities				
Trade & other payables	48,167,362	48,083,951	45,320,034	38,342,325
Amounts due to related parties	4,854,436	4,628,375	203,921	-
Interest bearing loans & borrowings	605,015	605,015	660,004	3,660,004
Bank overdrafts	5,782,260	5,782,260	-	13,506,151
Total	59,409,074	59,099,602	46,788,963	60,023,490

The Company has not designated any financial assets or liabilities upon initial recognition as at fair value through profit or loss.

12 PROPERTY, PLANT AND EQUIPMENT - Group/Company

	Balance As at 01.04.2011 Rs.	Additions Rs.	Balance As at 01.04.2012 Rs.	Additions Rs.	Transfers/ Retirements Rs.	Disposals Rs.	Revaluation Rs.	Balance As at 31.03.2013 Rs.
12.1 Gross Carrying Amounts								
At Valuation								
Freehold land	3,705,150,000	-	3,705,150,000	-	-	(141,000,000)	71,005,000	3,635,155,000
Freehold buildings	1,967,367,880	47,668	1,967,415,548	21,745,538	(78,786,479)	(4,608,000)	79,973,116	1,985,739,723
Furniture and fittings	88,384,110	2,542,839	90,926,949	2,913,435	(13,801,501)	-	10,954,941	90,993,824
Plant and machinery	16,627,730	1,071,231	17,698,961	11,436,582	(3,836,378)	-	1,225,805	26,524,970
Air conditioners	4,737,547	2,212,678	6,950,225	2,462,763	(2,932,911)	-	(409,939)	6,070,138
Generator	13,506,912	136,375	13,643,287	-	(2,724,157)	-	(4,164,348)	6,754,782
Severage plant	5,578,277	-	5,578,277	-	(1,115,656)	-	1,059,874	5,522,495
Computer equipments	485,225	287,600	772,825	5,189,225	(1,759,865)	-	1,653,304	5,855,489
Solar power hot water	9,859,023	-	9,859,023	-	(1,971,804)	-	1,873,214	9,760,433
Satellite receiver	464,005	-	464,005	-	(309,329)	-	175,197	329,873
Motor vehicles	526,298	-	526,298	-	(210,518)	-	147,363	463,143
	5,812,687,007	6,298,391	5,818,985,398	43,747,543	(107,448,598)	(145,608,000)	163,493,527	5,773,169,870
Assets on Finance Leases								
Television	1,190,517	-	1,190,517	-	(446,445)	-	459,598	1,203,670
Air conditioners	1,453,500	-	1,453,500	-	(909,533)	-	557,356	1,101,323
	2,644,017	-	2,644,017	-	(1,355,978)	-	1,016,954	2,304,993
	5,815,331,024	6,298,391	5,821,629,415	43,747,543	(108,804,576)	(145,608,000)	164,510,481	5,775,474,863

In the Course of Construction	Balance As at 01.04.2011 Rs.	Incurred during the year Rs.	Balance As at 01.04.2012 Rs.	Incurred during the year Rs.	Transfers/ Retirements Rs.	Disposals Rs.	Revaluation Rs.	Balance As at 31.03.2013 Rs.
Building work in progress	-	-	-	74,025,375	(21,745,538)	-	-	52,279,837
	-	-	-	74,025,375	(21,745,538)	-	-	52,279,837
Total Gross Carrying Amount	5,815,331,024	6,298,391	5,821,629,415	117,772,918	(130,550,114)	(145,608,000)	164,510,481	5,827,754,700

12.2 Depreciation	Balance As at 01.04.2011 Rs.	Charge for the year Rs.	Balance As at 01.04.2012 Rs.	Charge for the year Rs.	Transfers/ Retirements Rs.	Disposals Rs.	Revaluation Rs.	Balance As at 31.03.2013 Rs.
At Valuation								
Buildings	-	39,347,961	39,347,961	39,530,678	(78,786,479)	(92,160)	-	-
Furniture and fittings	-	6,828,954	6,828,954	6,972,547	(13,801,501)	-	-	-
Plant and machinery	-	1,727,953	1,727,953	2,108,425	(3,836,378)	-	-	-
Air conditioners	-	1,220,050	1,220,050	1,712,861	(2,932,911)	-	-	-
Generator	-	1,359,828	1,359,828	1,364,329	(2,724,157)	-	-	-
Severage plant	-	557,828	557,828	557,828	(1,115,656)		-	-
Computer equipments	-	196,740	196,740	1,563,125	(1,759,865)	-	-	-
Solar power hot water	-	985,902	985,902	985,902	(1,971,804)	-	-	-
Satellite receiver	-	154,669	154,669	154,660	(309,329)	-	-	-
Motor vehicles	-	105,259	105,259	105,259	(210,518)	-	-	-
	-	52,485,144	52,485,144	55,055,614	(107,448,598)	(92,160)	-	-
Assets on Finance Leases								
Television	238,104	119,052	357,156	89,289	(446,445)	-	-	-
Air conditioners	328,133	290,700	618,833	290,700	(909,533)	-	-	-
	566,237	409,752	975,989	379,989	(1,355,978)	-	-	-
Total Depreciation	566,237	52,894,896	53,461,133	55,435,603	(108,804,576)	(92,160)	-	-

12	PROPERTY, PLANT AND EQUIPMENT - Group/Company (Contd…)	2013 Rs	2012 Rs	As at 1st April 2011
12.3	**Net Book Value**			
	At Cost/ Deemed Cost			
	Freehold land	3,635,155,000	3,705,150,000	3,705,150,000
	Buildings	1,985,739,723	1,928,067,587	1,967,367,880
	Furniture and fittings	90,993,824	84,097,995	88,384,110
	Plant and machinery	26,524,970	15,971,008	16,627,730
	Air conditioners	6,070,138	5,730,175	4,737,547
	Generator	6,754,782	12,283,459	13,506,912
	Severage plant	5,522,495	5,020,449	5,578,277
	Computer equipments	5,855,489	576,085	485,225
	Solar power hot water	9,760,433	8,873,121	9,859,023
	Saltaelite reciver	329,873	309,336	464,005
	Motor vehicles	463,143	421,039	526,298
		5,773,169,870	5,766,500,254	5,812,687,007
	Assets on Finance Leases			
	Television	1,203,670	833,361	952,413
	Air conditioners	1,101,323	834,667	1,125,367
		2,304,993	1,668,028	2,077,780
	In the Course of Construction			
	Building work in progress	52,279,837	-	-
		52,279,837	-	-
	Total Carrying Amount of Property , Plant and Equipment	5,827,754,700	5,768,168,282	5,814,764,787

12.4 The Company uses the revaluation model of measurement of property, plant & equipment. The Company engaged Mr.K.A.Arthur Perera Dip.Agric:A.M.I.V. (Sri Lanka) valuer and consultant in report dated 31st March 2013, to determine the fair value of its property, plant & equipment. Fair value is determined by reference to market-based evidences. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the property plant & equipment. The previous revaluation was on 31st March 2011.

Details of the company's land, building and other properties stated at valuation are indicated below;

Property	Method of valuation	Effective date of valuation	Property valuer
Property plant & equipment	Open market value method	31st March 2013	Mr.K.A.Arthur Perera

12.5 The carrying amount of revalued property plant & equipment if they were carried at cost less depreciation, would be as follows;

	2013 Rs.	2012 Rs.	As at 1 April 2011 Rs.
Cost/Valuation	5,827,754,700	5,821,629,415	5,815,331,024
Accumulated depreciation	-	(53,461,133)	(566,237)
Carrying value	5,827,754,700	5,768,168,282	5,814,764,787

12.6 Value of Land and Ownership

Information on the freehold lands and freehold buildings of the group is as follows;

Company	Location	Ownership	Extent	Carrying Value
Hotel Suisse	No 30, Sangaraja Mawathe, Kandy.	Freehold	424.13 Perches	1,484,455,000
	No 30, Sangaraja Mawathe, Kandy.	Freehold	79,257.5 Sq.ft	951,968,437
Hotel Queens	No 04, Dalada Vidiya, Kandy.	Freehold	215.07 Perches	2,150,700,000
	No 04, Dalada Vidiya, Kandy.	Freehold	93,636.5 Sq.ft	1,033,771,286

12.7 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.117,772,918/- (2012 - Rs.6,298,591/-) including cost incurred on capital work in progress of which Rs.74,025,375/-. Cash payments amounted to Rs.117,772,918/- (2012 - Rs.6,298,591//-) were made during the year for purchase of Property, Plant and Equipment.

Year ended 31 March	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.	Group/Company As at 1st April 2011 Rs.
13 INTANGIBLE ASSETS				
13.1 Computer software				
At the beginning of the year	-	-	-	-
Acquired/ incurred during the year	3,800,000	3,800,000	-	-
As at 31 March	3,800,000	3,800,000	-	-
Amortization				
At the beginning of the year	-	-	-	-
Amortization for the year	760,000	760,000	-	-
At the end of the year	760,000	760,000	-	-
Net book value as at 31 March	3,040,000	3,040,000	-	-

14 INVESTMENTS IN SUBSIDIARY

Company **Non-Quoted Investment in Subsidiaries**	Holding 2013 %	Cost 2013 Rs.	Holding 2012 %	Cost 2012 Rs.	Holding 2011 %	Cost 2011 Rs.
Suisse Hotel (Pvt) Ltd	100%	100	-	-	-	-
		100		-		-

15 INVESTMENTS IN JOINT VENTURE

15.1 Carring value of the investment **Name of Company**	No of Shares	Share Holding	Group Total 2013 Rs.	Total 2012 Rs.	As at 1st April 2011 Rs.
Suisse Hotel Kandy (Pvt) Limited	141,030,001	50%	141,030,001	-	-
Post acquisition operation losses			(3,944,171)	-	-
			137,085,830	-	-
15.2 Share of Joint Venture's Balance Sheet					
Current Asset			2,480,485	-	-
Non Current Asset			137,609,399	-	-
Current Liabilities			(2,994,188)	-	-
Non Current Liabilities			(9,866)	-	-
			137,085,830	-	-
Share of Joint Venture's Revenue and Loss					
Revenue			-	-	-
Losses before income tax			3,944,171	-	-
Income tax			-	-	-
			3,944,171	-	-

16 INVENTORIES	Group 2013 Rs.	Company 2013 Rs.	Group/Company 2012 Rs.	Group/Company As at 1st April 2011 Rs.
Food & beverages	4,568,994	4,568,994	4,465,244	3,934,440
Linen	9,339,366	9,339,366	8,418,301	7,329,069
Housekeeping & maintenance	7,194,806	7,194,806	5,629,830	4,339,984
	21,103,166	21,103,166	18,513,375	15,603,494
Less: Provision for obsolete and slow moving items	(288,714)	(288,714)	(275,960)	(268,858)
	20,814,452	20,814,452	18,237,415	15,334,636

	Group	Company	Group/Company	
				As at 1st April
Year ended 31 March	2013	2013	2012	2011
	Rs.	Rs.	Rs.	Rs.
17 TRADE AND OTHER RECEIVABLES				
Trade and other receivables	70,960,569	70,960,569	58,893,106	49,094,361
Less: Provision for bad & doubtful debtors	(2,463,475)	(2,463,475)	(2,416,872)	(4,674,094)
	68,497,094	68,497,094	56,476,234	44,420,267
Other debtors	21,145,197	21,145,197	8,895,664	8,761,237
Less: Provision for bad & doubtful debtors	(5,439,188)	(5,439,188)	(5,439,188)	(5,439,188)
	15,706,009	15,706,009	3,456,476	3,322,049
	84,203,104	84,203,104	59,932,710	47,742,316

18 RELATED PARTY TRANSACTIONS

The group carried out transactions in the ordinary course of business with the following related entities.

		Group	Company	Group/Company	
					As at 1st April
		2013	2013	2012	2011
18.1 Amounts Due From Related Companies	**Relationship**	Rs.	Rs.	Rs.	Rs.
Ceylon Hotels Corporation PLC	Parent Company	170,420,167	170,420,167	105,493,195	27,644,862
Suisse Hotel Kandy (Pvt) Limited		-	141,029,901	-	-
		170,420,167	311,450,068	105,493,195	27,644,862
18.2 Amounts Due To Related Companies	**Relationship**				
GFH Management Co. Ltd	Affiliate	3,715,367	3,489,306	-	-
CHC Rest House (Pvt) Ltd	Affiliate	1,124,722	1,124,722	203,921	-
CHC Foods (Pvt) Ltd	Affiliate	14,347	14,347	-	-
		4,854,436	4,628,375	203,921	-
Total		165,565,731	306,821,693	105,289,274	27,644,862

18.3 RELATED PARTY DISCLOSURES

Details of significant related party transactions are as follows.

Transaction with the Related Entities

Nature of the company	**Relationship**	**Nature of Transaction**	**2013** Rs.	**2012** Rs.
Ceylon Hotels Corporation PLC	Parent	Reimbursement of expenses	(13,221,360)	(4,800,907)
		Advance received against reservation		3,255,384
		Fund transfer	77,682,774	77,400,000
		Payment received from debtors	332,913	1,549,020
Suisse Hotel (Pvt) Ltd	Subsidiary	Investment in subsidiary	(100)	-
CHC Rest House (Pvt) Ltd	Affiliate	Reimbursement of Expenses	(920,801)	(203,921)
		Payment received from debtors	97,707	-
CHC Foods (Pvt) Ltd	Affiliate	Reimbursement of expenses	(14,348)	-
Suisse Hotel Kandy (Pvt) Ltd	Joint Venture	Property transfer	(14,100,000)	-

18.4 Transactions with the key management personnel of the company or parent

There are no material transactions with the key management personnel of the company and its parent. Further there are no key management compensation during the year.

	Group	Company	Group/Company	As at 1st April
Year ended 31 March	2013	2013	2012	2011
	Rs.	Rs.	Rs.	Rs.
19 SHORT TERM DEPOSITS				
Investment in call deposits	32,242,584	32,242,584	851,232	792,877
	32,242,584	32,242,584	851,232	792,877

20 STATED CAPITAL

	Group/Company					
	2013		2012		2011	
	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.
Fully paid ordinary shares	577,500,000	16,500,000	577,500,000	16,500,000	16,500,000	16,500,000
Fully paid preference shares - 15% cumulative	50,000	250,000	50,000	250,000	50,000	250,000
	577,550,000	16,750,000	577,550,000	16,750,000	16,550,000	16,750,000

20.1 Fully paid ordinary shares

	2013		2012		2011	
	Number of Shares	Value of Shares Rs.	Number of Shares	Value of Shares Rs.	Number of Shares	Value of Shares Rs.
Fully paid ordinary shares at the beginning of the year	577,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Sub division of shares during the year	-	-	561,000,000	-	-	-
Balance at the end of the year	577,500,000	16,500,000	577,500,000	16,500,000	16,550,000	16,750,000

20.2 Shares held by the parent company

The shares of the company held by the parent company is as follows;

	Holding %	2013 Number of Shares	2012 Number of Shares	2,011 Number of Shares
Held by parent company (Ceylon Hotels Corporation PLC)	76.54	441,992,250	441,992,250	12,628,350

	Group	Company	Group/Company	As at 1 April
21 OTHER COMPONENTS OF EQUITY	2013	2013	2012	2011
	Rs.	Rs.	Rs.	Rs.
Revaluation reserve at the beginning of the year	**5,490,531,809**	**5,490,531,809**	**5,521,782,497**	**4,189,646,499**
Surplus on revaluation of property plant & equipment	**164,510,481**	**164,510,481**	**-**	**1,413,651,384**
Tax effect on revaluation	(15,736,498)	(15,736,498)	-	(61,640,867)
Transfer of revaluation reserve to retained earnings	(31,819,587)	(31,819,587)	(31,250,688)	(19,874,519)
Revaluation reserve at the end of the year	5,607,486,205	5,607,486,205	5,490,531,809	5,521,782,497
Other reserves	3,840,478	3,840,478	3,840,478	3,840,478
Total other components of equity	5,611,326,683	5,611,326,683	5,494,372,287	5,525,622,975

21.1 Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment.

21.2 The capital reserve reflects the amount the group has had as reserves over the years from its earnings for the future expansion.

		Group	Company	Group/Company	
					As at 1 April
Year ended 31 March		2013	2013	2012	2011
		Rs.	Rs.	Rs.	Rs.
22	**INTEREST BEARING LOANS AND BORROWINGS**				
22.1	**Movement**				
	At the beginning of the year	-	-	6,250,000	9,250,000
	Repayments	-	-	(6,250,000)	(3,000,000)
	At the end of the year	-	-	-	6,250,000
	Repayable within one year	-	-	-	3,000,000
		-	-	-	3,000,000
				-	
	Repayable after one year				
	Repayable between one and five years	-	-	-	3,250,000
		-	-	-	3,250,000
		-	-	-	6,250,000
22.2	**Finance leases**				
	At the beginning of the year	1,265,019	1,265,019	1,786,916	2,581,122
	Repayments	(660,004)	(660,004)	(521,897)	(794,206)
	At the end of the year	605,015	605,015	1,265,019	1,786,916
	Finance lease obligations repayable within one year				
	Gross liability	854,612	854,612	932,304	932,304
	Finance charges	(249,597)	(249,597)	(272,300)	(272,300)
	Net lease obligation	605,015	605,015	660,004	660,004
	Finance lease obligations repayable between one and five years				
	Gross liability	854,612	-	854,612	1,786,916
	Finance charges	(249,608)	-	(249,608)	(521,906)
	Net lease obligation	605,004	-	605,004	1,265,010
		1,210,019	605,015	1,265,008	1,925,014
	Total Non-current liabilities				
	Interest bearing loans and borrowings	-	-	605,004	4,515,010
	Total Current liabilities				
	Interest bearing loans and borrowings	605,015	605,015	660,004	3,660,004

		Group	Company	Group/Company	
23	**DEFERRED TAX**				As at 1 April
		2013	2013	2012	2011
		Rs.	Rs.	Rs.	Rs.
	At the beginning of the year	241,606,592	241,606,592	240,874,113	197,002,265
	Charge /(release) made during the year	(2,068,484)	(2,068,484)	732,479	(17,769,020)
	Deferred tax impact on revaluation	11,220,658	11,220,658	-	84,292,066
	Release on rate differential	-	-	-	(22,651,199)
	At the end of the year	250,758,766	250,758,766	241,606,592	240,874,112
	The closing deferred tax asset and liability balances relate to the following;				
	Accelerated depreciation for tax purposes	250,988,083	250,988,083	244,721,731	250,059,920
	Employee benefit liability	(229,317)	(229,317)	(221,988)	(184,613)
	Losses available for offset against future taxable income	-	-	(2,893,151)	(9,001,194)
		250,758,766	250,758,766	241,606,592	240,874,112

		Group	Company	Group/Company	
					As at 1 April
Year ended 31 March		**2013**	**2013**	**2012**	**2011**
		Rs.	**Rs.**	**Rs.**	**Rs.**
24	**EMPLOYEE BENEFIT LIABILITIES**				
	At the beginning of the year	1,849,897	1,849,897	1,538,441	897,382
	Current service cost	540,831	540,831	453,624	360,979
	Interest cost on benefit obligation	203,489	203,489	169,229	98,712
	Payments made during the year	(132,175)	(132,175)	(84,950)	(29,400)
	(Gain)/Loss arising from changes in assumptions or due to (over)/under provision in the previous year	(551,067)	(551,067)	(226,447)	210,768
	At the end of the year	1,910,975	1,910,975	1,849,897	1,538,441

The employee benefit liability is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd.

The principle assumptions used were as follows,	**2013**	**2012**	**2011**
Discount rate	11%	11%	11%
Future salary increases	8%	8%	8%
Retirement age	55 Years	55 Years	-

25	TRADE AND OTHER PAYABLES	Group	Company	Group/Company	
					As at 1st April
		2013	**2013**	**2012**	**2011**
		Rs.	**Rs.**	**Rs.**	**Rs.**
	Trade payables	19,340,786	19,340,786	16,044,843	16,158,284
	Advances and deposits	14,400,291	14,400,291	6,972,691	4,030,272
	Sundry creditors	14,426,284	14,342,873	22,302,501	18,153,769
		48,167,362	48,083,951	45,320,034	38,342,325

26	INCOME TAX LIABILITIES	Group	Company	Group/Company	
					As at 1st April
		2013	**2013**	**2012**	**2011**
		Rs.	**Rs.**	**Rs.**	**Rs.**
	At the beginning of the year	6,144,699	6,144,699	7,099,517	4,642,678
	Charge for the year	23,712,447	23,712,447	12,084,032	9,732,122
	Payments and set off against refunds	(15,219,740)	(15,219,740)	(13,038,850)	(7,275,283)
	At the end of the year	14,637,406	14,637,406	6,144,699	7,099,517

27	OTHER CURRENT LIABILITIES	Group	Company	Group/Company	
					As at 1st April
		2013	**2013**	**2012**	**2011**
		Rs.	**Rs.**	**Rs.**	**Rs.**
	Other tax payables	5,314,537	5,314,537	7,118,228	4,350,606
		5,314,537	5,314,537	7,118,228	4,350,606

28	CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	Group	Company	Group/Company	
					As at 1st April
		2013	**2013**	**2012**	**2011**
	Components of Cash and Cash Equivalents	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Favorable Cash and Cash Equivalent Balances				
	Cash and bank balances	25,650,716	25,600,716	44,967,345	22,540,072
	Short term deposits (Note 19)	32,242,584	32,242,584	851,232	792,877
	Unfavorable Cash and Cash Equivalent Balances				
	Bank overdraft	(5,782,260)	(5,782,260)	-	(13,506,151)
	Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement				
		52,111,040	52,061,040	45,818,577	9,826,798

29 ASSETS PLEDGED

29.1 Company

The Company has not pledged any of its assets included in the balance sheet as security.

29.2 Group

The Group has not pledged any of its assets included in the balance sheet as security.

30 COMMITMENTS AND CONTINGENCIES

30.1 COMPANY

The Company does not have significant capital commitments as at the Reporting date.

30.2 Capital Commitments

The Group does not have significant capital commitments as at the Reporting date.

30.3 Contingent Liabilities

The Company is pursuing or is being pursued with legal action on the following legal cases. As per the representation given by the management these cases are still outstanding as at 31st March 2013.

Name	Case No.
Ms. H.M Dingiri Menike	RE 2645
Men's Tailor	Rent board case

31 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments held by the Group principally comprise of cash, trade and other receivables, trade and other payables, loans and borrowings/Leases. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the Group.

Financial risk management of the Group is carried out based on guidelines established by its parent Group's finance department which comes under the preview of the Board of Directors.

Parent company Finance department evaluates financial risk in close co - operation with the hotel operational units. The parent company provides guidelines for overall risk management as well, covering specific areas such as credit Risk ,Liquidity Risk ,Interest rate risk and foreign currency risk.

The Hotel has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities , settlements, accounting and related controlling . The guide lines and systems are regularly reviewed and adjusted accordingly to changes in markets and products. The company's Executive Directors monitor these risks primarily through its operating and financing activities.

32.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD..)

33.1.1 Credit risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts .Following table shows the maximum risk positions.

Group	2013						2012					
	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	
Deposits with bank	-	-	32,242,584	-	32,242,584	10%	-	-	851,232	-	851,232	0.4%
Trade and other receivables	-	84,203,104	-	-	84,203,104	27%	-	59,932,710	-	-	59,932,710	28%
Amounts due from related parties	-	-	-	170,420,167	170,420,167	55%	-	-	-	105,493,195	105,493,195	50%
Cash and bank balances	25,650,716	-	-	-	25,650,716	8%	44,967,345	-	-	-	44,967,345	21%
Total credit risk exposure	25,650,716	83,801,605	32,242,584	170,420,167	312,516,571	100%	44,967,345	59,932,710	851,232	105,493,195	211,244,481	100%
Total	25,650,716	83,801,605	32,242,584	170,420,167			44,967,345	59,932,710	851,232	105,493,195		

Company	2013						2012					
	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation	Cash in hand and at bank	Trade and other receivables	Other investments	Amounts due from related parties	Total	% of allocation
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	
Deposits with bank	-	-	32,242,584	-	32,242,584	7%	-	-	851,232	-	851,232	0.4%
Trade and other receivables	-	84,203,104	-	-	84,203,104	18%	-	59,932,710	-	-	59,932,710	28%
Amounts due from related parties	-	-	-	311,450,068	311,450,068	69%	-	-	-	105,493,195	105,493,195	50%
Cash and bank balances	25,600,716	-	-	-	25,600,716	6%	44,967,345	-	-	-	44,967,345	21%
Total credit risk exposure	25,600,716	84,203,104	32,242,584	311,450,068	453,496,472	100%	44,967,345	59,932,710	851,232	105,493,195	211,244,481	100%
Total	25,600,716	84,203,104	32,242,584	311,450,068			44,967,345	59,932,710	851,232	105,493,195		

33.1.2 Trade and other receivables as per age analysis 31st March

	Group/Company 2013	2012
	Rs.	Rs.
01–29 days	34,610,241	38,364,275
30–60 days	20,454,347	9,219,992
61–90 days	6,399,403	2,583,647
91–120 days	2,749,666	1,002,265
121–365 days	6,746,912	7,722,927
Gross carrying value	70,960,569	58,893,106
Less: impairment provision		
Individually assessed impairment provision	(2,463,475)	(2,416,872)
Net amount	68,497,094	56,476,234

33.1.3 Amounts due from related parties

The group balance consists of the balance from parent company.

33.1.4 Credit risk relating to cash and bank balances

In order to mitigate concentration, settlement and operational risks related to cash and bank balances, the company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The company held cash and bank balances of Rs. 25.6 million at 31 March 2013 (2012 - Rs. 44.9 million).

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD..)

33.2 Liquidity Risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

33.2.1 Net (debt)/cash

	Group	Company	Group/Company
	2013	2013	2012
	Rs.	Rs.	Rs.
Short term investments	32,242,584	32,242,584	851,232
Cash in hand and at bank	25,650,716	25,600,716	44,967,345
Total liquid assets	57,893,300	57,843,300	45,818,577
Interest bearing loans and borrowings	605,015	605,015	660,004
Bank overdrafts	5,782,260	5,782,260	-
Total liabilities	6,387,276	6,387,276	660,004
Net (debt)/cash	51,506,024	51,456,024	45,158,573

33.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

Company	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	48,167,362	-	-	-	-	-	48,167,362
Borrowings-Financial instruments	854,612	-	-	-	-	-	854,612
in current liabilities							-
Amounts due to related companies	4,854,436	-	-	-	-	-	4,854,436
Bank overdrafts	5,782,260	-	-	-	-	-	5,782,260

33.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market prices comprise two types of risk:

* Interest rate risk
* Currency risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2013.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective of market risks. This is based on the financial assets and financial liabilities held at 31 March 2013 and 2012.

33.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates of the deposits , with all other variables held constant, of the company's profit before tax (through the impact on floating rate of deposits).

The company's exposure to deposits rates in USD is not material

	Group/ Company Increase/ (decrease) in basis points	Effect on profit before tax
2013	+ 100-150 basis points	252,775
	- 100-150 basis points	(168,517)

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR, SLBOR, AWPLR.

33.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements.

31.3.2.2 Effects of currency translation.

The Company is maintaining USD fixed deposits of USD 268,960.00 as at 31.03.2013 with a fixed interest rate and exchange rate used for the conversion of the Deposit i.e. I USD = 125.31 LKR. The change and effect of the translation is as follows.

The Company's exposure to foreign currency changes in regard translation of USD deposit to LKR is not material.

Company	Exchange rate	Increase/(decrease) in in exchange rate	Effect on profit before tax LKR Mn	Effect on equity LKR Mn
2013	USD	3%	806,070	806,070
		-3%	(806,070)	(806,070)

Assumptions

The assumed movement, in the spread of the exchange rate sensitivity analysis, is based on the current observable market environment.

31.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

Investor Information

The Kandy Hotels Company (1938) PLC
Hotel Suisse
No. 30, Sangaraja Mawatha,
Kandy

Annual Report
For the year ended 31st March 2013

Analysis of Ordinary Shareholders

According to the No of Shares As At 31st March 2013

Shareholdings				No. of Shareholders			Total Holdings			Percentage		
				FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL
LESS THAN		1,000	SHARES	-	721	721	-	203,547	203,547	-	0.04	0.04
1001	To	10,000	SHARES	2	366	368	10,500	1,485,776	1,496,276	0.00	0.26	0.26
10001	To	100,000	SHARES	6	151	157	241,117	5,641,554	5,882,671	0.04	0.98	1.02
100001	To	1,000,000	SHARES	8	45	53	2,884,000	13,435,022	16,319,022	0.50	2.33	2.83
OVER		1,000,001	SHARES	10	12	22	16,910,250	536,688,234	553,598,484	3	92.93	95.86
			TOTAL	**26**	**1,295**	**1,321**	**20,045,867**	**557,454,133**	**577,500,000**	**3.47**	**96.53**	**100.00**

Analysis of Ordinary Shareholders

According to the No of Shares As At 31st March 2013
(CDS + normal)

Shareholdings				No. of Holders	Total Holdings	%
LESS THAN		1000	SHARES	721	203,547	0.04
1001	To	10000	SHARES	368	1,496,276	0.26
10001	To	100000	SHARES	157	5,882,671	1.02
100001	To	1000000	SHARES	53	16,319,022	2.83
OVER		1000001	SHARES	22	553,598,484	95.86
TOTAL				**1,321**	**577,500,000**	**100**

Distribution of Ordinary Shares			
Class of Member	**No. of Holders**	**No. of Shares**	**%**
Individuals	1,270	50,016,696	8.66
Companies	51	527,483,304	91.34
TOTAL	**1,321**	**577,500,000**	**100.00**

Analysis of Preference Shareholders
According to the No of Shares As At 31st March 2013

Shareholdings				No. of Shareholders			Total Holdings			Percentage		
				FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL	FOREIGN	LOCAL	TOTAL
LESS THAN		1,000	SHARES	15	42	57	1,443	6,430	7,873	2.89	12.86	15.75
1001	To	10,000	SHARES	0	4	4	0	26,336	26,336	0.00	52.67	52.67
10001	To	100,000	SHARES	0	1	1	0	15,791	15,791	0.00	31.58	31.58
			TOTAL	**15**	**47**	**62**	**1,443**	**48,557**	**50,000**	**2.89**	**97.11**	**100.00**

Analysis of Preference Shareholders
According to the No of Shares As At 31st March 2013

Shareholdings	No. of Holders	Total Holdings	%
LESS THAN 1000 SHARES	57	7,873	15.75
1001 To 10000 SHARES	4	26,336	52.67
10001 To 100000 SHARES	1	15,791	31.58
TOTAL	**62**	**50,000**	**100.00**

Distribution of Preference Shares

Class of Member	No. of Holders	No. of Shares	%
Individuals	55	17,802	35.60
Companies	7	32,198	64.40
TOTAL	**62**	**50,000**	**100%**

DIRECTORS SHAREHOLDING

		31st March 2013		31st March 2012	
	Name Of The Director	**Preference**	**Ordinary**	**Preference**	**Ordinary**
1	Mr. S Gardiner	9,500	87,500	9,500	87,500
2	Mr. C Ratwatte	Nil	175,000	Nil	175,000
3	Mr. L Samarasinghe	Nil	5,500	Nil	5,500
4	Mr. N Wijesuriya	Nil	Nil	Nil	Nil
5	Mr. P Maddumage	Nil	Nil	Nil	Nil
6	Mr. C Mohotti	Nil	Nil	Nil	Nil
7	Mr. P N Dela	Nil	Nil	Nil	Nil
8	Mr. L Sirimanne	Nil	3,500	Nil	3,500
9	Mr. R Gunatileke	Nil	Nil	Nil	Nil

Highest & Lowest Share Prices for the Period 01/04/2012 & 31/03/2013

	2012/2013		2011/2012	
	Date	**Share Prices**	**Date**	**Share Prices**
High	21/09/2012	12.70	23/11/2011	300.00
Law	31/05/2012	4.60	13/02/2012	4.10
Closing	28/03/2013	8.90	31/01/2012	6.90

Share Trading Information for the Period ended 31/03/2012 & 31/03/2013

	2011/2013	**2010/2012**
No. of Transactions	**7160**	**2993**
No. of Shares Traded	28,328,117	3,539,564
Value of Shares Traded(Rs)	211,909,927.90	112,512,856.10

SHARE INFORMATION

Public Holdings	
Public Holdings as at 31.03.2013	
Note :Calculation of Public Holding	
Issued Shares (Ordinary Shares)	577,500,000
Shares held by Directors :	
Mr. Sanjeev Gardiner	
Mr. J. C. Ratwatte	(87,500)
Mr.L. Samarasinghe	(175,000)
Mr. C L Sirimanne	(5,500)
Shares held by Related Companies:	(3,500)
Ceylon Hotels Corporation PLC	(441,992,250)
Ceylon Hotel Holdings (Pvt)Ltd	(56,485,454)
Hotel International Ltd	(17,866,628)
Cyril Gardiner Ltd	(8,120,000)
The Galle Face Hotel Co. Ltd	(21,000)
Seven 77 Ltd	(8,750)
Deepthi Ltd	(4,375)
Public Holding	**52,730,043**
Public Holding %	**9.13%**

Top 20 Shareholders as at 31st March 2013

	NAME	No of Shares	%
1	Ceylon Hotels Corporation Plc	441,992,250	76.54
2	Ceylon Hotel Holdings (Pvt) Ltd	56,485,454	9.78
3	Hotel International Ltd.	17,866,628	3.09
4	Cyril Gardiner Limited	8,120,000	1.41
5	Mr. Noel Victor Stopford Saackville Deceased	4,368,000	0.76
6	Mr. Peter Renuf Frossard, C/O.Executor Mr. Charles Keith, Collas	1,965,250	0.34
7	Mrs. Lilamanie Ratwatte	1,848,250	0.32
8	Mrs.Mary Frances Gunasekera	1,750,000	0.30
9	Mr. Percy Vivian Gunasekera	1,750,000	0.30
10	Ms. Helene Sauties	1,496,250	0.26
11	Mr. Edonard -Dec`D- Laravoire	1,496,250	0.26
12	Mr. John Paul Sauties	1,496,250	0.26
13	Ms. Martha Chevallaz	1,496,250	0.26
14	Mr. Jeane Laravoire	1,496,250	0.26
15	Mr. Paul Chevallaz	1,496,250	0.26
16	Mr. Albert Chevallaz	1,496,250	0.26
17	Mrs. Areenie Upendra Ratwatte Pethiyagoda	1,490,750	0.26
18	Mr. Rosanth Percival Leo Eheliyagoda	1,347,652	0.23
19	Mr. John Elster Ivan -Dec`D- Perera	1,050,000	0.18
20	Mr. Francis David Micheal Badcock	1,034,250	0.18
	Sub Total	**551,542,234**	95.51
	Balance held by Others	25 ,957,766	4.49
	Total Number of Shares	577,500,000	100

10 YEARS AT A GLANCE

YEAR ENDED	31St March 2013 Rs.		31St March 2012 Rs.	31St March 2011 Rs.	31St March 2010 Rs.	31st March 2009 Rs.	31st March 2008 Rs.	31st March 2006 Rs.	31st March 2005 Rs.	31st March 2004 Rs.	31st March 2003 Rs.
	Group	Company	Company	Company	Company	Company	Company	Company	Company	Company	Company
TRADING RESULTS											
Turnover	548,275,881	548,275,881	396,309,897	287,577,355	185,121,230	142,513,487	163,771,249	124,323,677	98,264,908	140,090,650	12,555,240
Profit/(Loss) Before Tax	161,068,662	165,272,304	96,326,756	40,483,121	4,970,830	(5,796,449)	(10,037,463)	8,553,604	(3,592,003)	17,009,228	5,925,126
Taxation	(21,643,963)	(21,643,963)	(12,816,511)	8,037,393	(1,328,569)	10,514,783	782,173	(219,308)	(777,506)	(3,212,791)	
Net Profit/ (Loss) for the year	139,424,699	143,628,341	83,510,245	48,520,514	3,642,261	4,718,334	(77,645,430)	8,334,296	(2,559,355)	13,796,437	5,925,126
Property, Plant & Equipment	5,827,754,700	5,827,754,700	5,768,168,282	5,814,764,787	4,443,368,967	4,487,773,846	2,854,174,398	2,879,422,045	1,030,371,022	1,044,479,785	1,063,404,600
Intangible Assets	3,040,000	3,040,000	-	-	-	-	-	-	-	-	-
Investments	-	100	-	-		475,000	475,000		-	-	-
Investment in Joint Ventures	137,085,831										
Other Non Current Assets	-	-	-	-	-	-	-	-	-	-	-
NET CURRENT ASSETS	5,967,880,531	5,830,794,800	5,768,168,282	5,814,764,787	4,443,368,967	4,488,248,846	2,854,649,398	2,879,422,045	1,030,371,022	1,044,479,785	1,063,404,600
Current Assets	341,357,575	482,337,476	233,048,765	115,997,299	62,286,102	40,309,930	66,730,009	30,291,238	31,094,468	36,513,355	30,285,601
Current Liabilities	79,361,017	79,051,545	59,446,886	66,958,603	83,198,015	103,868,067	49,819,571	36,395,468	41,631,385	43,468,564	54,969,176
Net Current Assets	261,996,558	403,285,931	173,601,879	49,038,696	(20,911,913)	(63,558,137)	16,910,438	(6,104,230)	(10,536,917)	(6,955,209)	(24,683,575)
TOTAL ASSETS	6,229,877,089	6,234,080,731	5,941,770,161	5,863,803,483	4,422,457,054	4,424,690,709	2,871,559,836	2,873,317,815	1,019,834,105	1,037,524,576	1,038,721,025
LESS LIABILITIES											
Loan			-	3,250,000	6,250,000	9,250,000	12,250,000	3,718,000	24,878,912	41,022,992	55,820,300
Leases		-	660,004	1,265,010	1,925,019	139,498	557,974	1,360,054			
Deferred Tax Liabilities	250,758,766	250,758,766	241,606,592	240,874,113	197,002,265	200,316,373	975,575,161	100,714,069	2,566,680	2,568,506	
Retirement Benefit Obligations	1,910,975	1,910,975	1,849,897	1,538,441	897,382	2,207,210	88,366,292	17,022,979	12,124,777	11,072,486	8,932,547
NET ASSETS	5,977,207,347	5,981,410,990	5,697,653,668	5,616,875,919	4,216,382,388	4,212,777,628	2,672,810,409	2,750,502,713	980,263,736	982,860,592	973,968,178
SHARE CAPITAL & RESERVES											
Paid-up-capital	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000	16,750,000
Debentures	-	-	-	-							
Reserves	5,960,457,347	5,964,660,991	5,680,958,667	5,600,125,919	4,199,632,388	4,196,027,628	2,656,060,409	2,733,752,713	960,513,738	966,110,592	957,218,178
SHARE HOLDERS FUNDS	5,977,207,347	5,981,410,991	5,697,708,667	5,616,875,919	4,216,382,388	4,212,777,628	2,672,810,409	2,750,502,713	977,263,738	982,860,592	973,968,178
RATIOS AND STATISTICS											
Current Ratio	4.30	6.10	3.92	1.73	0.75	0.39	1.34	0.83	0.75	0.84	0.55
Earning per Ordinary Share (Rs.)	0.24	0.25	0.14	2.94	0.22	0.29	(46.36)	0.50	(0.16)	0.83	0.36
Net Assets per Ordinary Share (Rs.)	10.35	10.36	9.87	340.42	251.72	255.32	159.57	166.70	59.41	59.57	59.03
MARKET SHAREHOLDER INFORMATION											
No of shares in issue	577,500,000	577,500,000	577,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000
Highest	12.70	12.70	300	290.00	131.00	83.00	100.00	108.00	283.00	44.00	50.00
Lowest	4.60	4.60	4.10	201.00	99.25	28.00	45.00	58.00	30.00	25.00	12.75
Markets Capitalization	577,500,000	577,500,000	4,100,250,000	3,923,700,000	1,815,000,000	829,125,000	1,196,250,000	1,369,500,000	2,582,250,000	569,250,000	517,687,500

Notice is hereby given that the 84th Annual General Meeting of The Kandy Hotels Co. (1938) PLC will be held at "Queen's Hotel" Kandy

on Friday 20th September 2013 at 11.00 a.m. for the following purposes.

1. To receive and consider the statement of Accounts for the year ended 31st March 2013 with the Annual report of the Board of Directors and Auditors thereon.

2. To re.elect Mr. Chanda Mohotti who retires by rotation in terms of Article 90, of the Articles of Association of the Company and being eligible offers himself for re.election.

3. To re.elect Mr. Lakshman Samarasinghe as a Director of the Company. Special Notice has been received from a shareholder pursuant to selection 211 of the Companies Act No. 7 of 2007 of the intention to propose the following resolution as an ordinary resolution.

   RESOLVED that Mr. Lakshman Samarasinghe who has reached the age of 70 be and is hereby re.elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007.

4. To re.elect Mr. Lakshman Sirimanne as a Director of the Company. Special Notice has been received from a shareholder pursuant to selection 211 of the Companies Act No. 7 of 2007 of the intention to purpose the following resolution as an ordinary resolution.

   RESOLVED that Mr. Lakshman Sirimanne who has reached the age of 70 be and is hereby re.elected as a Director of the Company and is hereby declared that the age limit of 70 years referred to in section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director in accordance with Section 211 of the Companies Act No. 07 of 2007.

5. To re-appoint the Auditors Messers Ernst & Young and authorize the Board of Directors to determine their remuneration

6. To authorise the Board of Directors to determine payments for charitable and other purposes for the year 2013/2014.

By Order of the Board

MANAGERS & SECRETARIES (PVT) LIMITED
Secretaries

01st August 2013

NOTE:

A member is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead and a form of Proxy is enclosed for this purpose. The proxy need not be a member of the Company.

The Completed form of proxy must be deposited at the registered office "Hotel Suisse" No. 30, Sangaraja Mawatha, Kandy not less than forty eight hours before the time fixed for the meeting.

Any Member or proxy-holder attending meeting is kindly requested to bring this report.

NOTES

FORM OF PROXY

I/we ....

of ....

being a member/members of The Kandy Hotels Co. (1938) PLC hereby appoint ; ....

....

....

of ....

.... or failing him

Mr. Sanjeev Gardiner	or failing him
Mr. Charitha Ratwatte	or failing him
Mr. Lakshman Samarasinghe	or failing him
Mr. Priyantha Maddumage	or failing him
Mr. Nahil Wijesuriya	or failing him
Mr. Chandra Mohotti	or failing him
Mr. Pradeep Nilanga Dela	or failing him
Mr. Colvin Lakshman Sirimanne	or failing him
Mr. Ranjith Gunatileke	

as my/our proxy to represent me/us and *vote for me/us on my/our behalf and speak at the Annual General Meeting of the Company to be held on Friday 20th September 2013 and at any adjournment thereof and at every poll which may be taken in consequence thereof

Signed this……………………day of …………………….2013.

....

Signature of Shareholder

Note: Instructions to complete are noted on the following page

INSTRUCTIONS AS TO COMPLETION

Instructions as to completion

- Kindly perfect, the Form of Proxy, by filling in legibly your full name and address, signing in space provided, and filling in the signature.

- If the form of proxy is signed by an Attorney, the relative Power of Attorney should also accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the company.

- In case of a Company / Corporation, the Proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.

- The completed Form of Proxy should be deposited at the registered office of the Company "Hotel Suisse" No. 30, Sangaraja Mawatha, Kandy, not less than forty eight (48) hours before the time appointed for the holding of the meeting.

CORPORATE INFORMATION

NAME OF THE COMPANY	The Kandy Hotels Company (1938) PLC
LEGAL FORM	A Public quoted Company with Limited Liability (Incorporated in Sri Lanka)
STOCK EXCHANGE LISTING	The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka
DIRECTORS	Sanjeev Gardiner (Chairman) Lakshman Samarasinghe Priyantha Maddumage Charitha Ratwatte Chandra Mohotti Nahil Wijesuriya Pradeep Nilanga Dela Lakshman Sirimanne Ranjith Gunatileke
CORPORATE MANAGEMENT	Ranjan Pieris (General Manager –Suisse & Queens Hotels) P Sivatheesh (Financial Controller)
REGISTERED OFFICE	The Kandy Hotels Co. (1938) PLC Hotels Suisse No. 30, Sangaraja Mawatha, Kandy.
SECRETARIES	Managers & Secretaries (Pvt) Ltd. No. 08, Tickell Road, Colombo 08.
AUDITORS	M/s Ernst & Young Chartered Accountants No. 839/2, Peradeniya Road, Kandy
BANKERS	Commercial Bank of Ceylon Ltd. Nations Trust Bank Ltd. National Development Bank PLC
E'MAIL	QUEEN'S HOTEL : queens@kandymail.lk SUISSE HOTEL : suisse@kandy.ccom.lk

Design and Printed by: M.D. GUNASENA AND COMPANY PRINTERS (PRIVATE) LIMITED

THE KANDY HOTELS COMPANY (1938) PLC
Hotel Suisse,
No. 30, Sangaraja Mawatha,
Kandy